

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday April 6 1988

D-8523 A

Little prospect of compromise in the Punjab, Page 3

London	100.00	Paris	100.00
Frankfurt	100.00	Geneva	100.00
Zurich	100.00	Basel	100.00
Stockholm	100.00	Copenhagen	100.00
Helsinki	100.00	Athens	100.00
Nairobi	100.00	Harare	100.00
Accra	100.00	Nairobi	100.00
Washington	100.00	London	100.00
Gold	100.00	Oil	100.00
Commodities	100.00	Stocks	100.00
Exchange Rates	100.00	Interest Rates	100.00

No. 30,506

World News Business Summary

Soviets and US may be near Afghan compromise

The US and the Soviet Union appear close to a compromise on the Soviet withdrawal from Afghanistan after a day of hectic superpower diplomacy in Moscow, Washington, Kabul and Geneva.

Campeau's win makes Wall Street \$250m richer

INVESTMENT BANKERS and merger lawyers are poised to enjoy one of Wall Street's greatest bonanzas as they share out up to \$250m for their work in the 10-week battle waged by Campeau for control of Federated Department Stores. Page 23

Hijackers demand release of Arab militants in Kuwait

THE HIJACKERS of a Kuwaiti airliner diverted yesterday to north-east Iran have demanded the release of 17 Arab militants imprisoned in Kuwait for acts of terrorism, Tehran said last night, writes Richard Johns in London.

Three members of the Kuwaiti royal family on board were said by Tehran Radio last night to be in "imminent danger" unless the demands were met.

Markets still nervous as pound surges and dollar gains ground

THE POUND surged to its highest level for more than two years yesterday and the dollar rallied on foreign exchanges but the financial markets remained nervous. Share prices in London edged lower while in New York a late rally pushed prices higher.

BAT bid for US insurer faces public inquiry

REGULATORS in California have taken the unusual step of calling a three-day public hearing to examine the \$4.5bn contested takeover bid by BAT industries, the UK-based tobacco multinational, for Farmers Group, the US insurer.

Contra demand

Contra rebel leaders demanded freedom for their negotiators to move around Nicaragua during peace talks, rejecting a Sandinista proposal limiting them to an airport hotel in Managua. Page 4

Wisconsin test

Wisconsin voters went to the polls in a primary election test which seemed likely to be a two-way race between Democratic Party candidate Governor Michael Dukakis of Massachusetts and the Rev Jesse Jackson. See saw battle, Page 4

Chemical arms plea

West German Social Democrats made a joint call with the Communist parties of East Germany and Czechoslovakia for talks on a chemical weapons-free zone in Central Europe. Page 2

Soviet strikes 'ending'

Striking workers in Nagorno-Karabakh, the disputed region of Armenia, are slowly returning to their jobs, the Soviet newspaper Izvestia reported. Tass news agency said the stoppages had made four factories bankrupt. Page 2

Polish crisis looms

Hardline criticism in Poland of Gen Wojciech Jaruzelski's economic reforms was surfacing within the Communist Party amid warnings that the country faced another political crisis. Page 2

Gulf barrage

Iraq fired five missiles at Iranian cities, two of them at Tehran, while Iran pounded the Iraqi port of Umm Qasr with missiles and shelled Basra. An Iranian missile hit Bulgaria after Bulgarian Prime Minister Georgi Atanasov began an official visit to the Iraqi capital. Moscow reluctant on arms embargo, Page 3

French hostage mission

France had sent two secret envoys to Lebanon to discuss French hostages, according to a Syrian businessman who has acted as an intermediary in the past.

Philippines bases

The US and Philippines started a five-yearly review of an agreement covering two of the most important US military bases overseas while anti-bases demonstrators marched through Manila. Page 3

Palestinian aid pledge

Arab health ministers ended a three-day conference in Amman with a pledge to spend \$250,000 on health services in Israeli-occupied territories and condemned what it said was Israeli oppression against Palestinians.

Austrian to visit Mir

An Austrian is to join Soviet cosmonauts in a flight to the orbiting space station Mir in 1992.

Bulgaria in AIDS move

Bulgaria expects to test all its population aged between 14 and 70 for AIDS by 1990. It already has mandatory testing for all people applying to marry and for all pregnant women.

CARLO De Benedetti, Italian businessman, is expected to review his position as group managing director of Olivetti, Italian data processing equipment maker which he also chairs, but countered rumours that he has imminent plans to give up his operational responsibilities. Page 23

WALL STREET: The Dow Jones industrial average closed up 16.91 at 1997.51. Page 44

TOKYO: An absence of institutional interest and market-moving factors undermined large-capital, high-technology and other leading equities. The Nikkei average finished slightly weaker, losing 19.94 to close at 26,315.35. Page 44

LONDON: Continued concern over currency movements and low turnover kept share prices down, with the FT-SE 100 index falling 4.9 to 1,737.6. Page 40

DOLLAR closed in New York at DM1.6670; Y125.25; SF1.3775; FF1.6630. It closed in London at \$1.8504 (\$1.8500); DM2.1375 (DM2.1250); Y235.25 (Y234.25); SF2.5875 (SF2.5750); FF10.6400 (FF10.5875). Page 33

STERLING closed in New York at \$1.8750. It closed in London at \$1.8504 (\$1.8500); DM2.1375 (DM2.1250); Y235.25 (Y234.25); SF2.5875 (SF2.5750); FF10.6400 (FF10.5875). Page 33

CALMAT, California building materials group, put its cement and property divisions up for sale to thwart a \$1.2bn takeover offer from Brerley Investments, main corporate vehicle of Sir Ron Brerley, New Zealand entrepreneur. Page 23

PIESSEY and the General Electric Company (GEC) disagreement has forced the collapse of a \$25m (\$47m) UK Government plan to back development work on an advanced form of semiconductor technology. Page 22

INTERNATIONAL BANKS are jockeying for role in forthcoming \$200m Bank of China loan, first of a series of borrowings for the Daya Bay nuclear power plant. Page 26

OVERSEAS DEBITS with a face value of \$17m will be converted at an average discount of 54 per cent under Argentina's second debt/equity swap round, bankers say. Page 26

ROYAL BANK of Canada is to combine its London investment banking activities with those of Dominion Securities, Canadian securities firm, which will mean the end of the activities of Orion Royal Bank. Page 23

KUWAIT Investment Office, whose Spanish parent subsidiary, Torres Hostelnis, is embroiled in a hostile takeover (\$217.2m) bid for Ebro, Spain's biggest sugar refiner, is said to have enough offers of shares to guarantee it 50 per cent of Ebro. Page 24

CHICAGO Board Options Exchange proposed sweeping changes to its margin rules in an effort to make its margins more responsive to current market volatility. Page 26

ERIDANIA SPA, Ferruzzi group's holding vehicle for sugar and other agro-industrial interests, reported a nearly unchanged net profit for 1987 of 143.3m (\$58m). Page 24

CSX, US rail and resources group whose results traditionally record a little loss, announced a sharp fall in first-quarter net earnings from \$85m to \$66m. Page 23

INTERNATIONAL Finance Corporation, part of the World Bank, is drawing up plans to enable foreign banks to play a bigger role financing industrial developments in India. Page 25

to Muscat. Tehran could find itself in a dilemma because the hijackers probably belong to an extremist Shia group sponsored by its own Supreme Assembly for Islamic Revolution.

At the same time, the regime may resist putting pressure on Kuwait over a prolonged period before the crisis is resolved. Earlier the official Islamic Republic news agency (IRNA) had reported a demand by the hijackers that the aircraft be refuelled. They threatened to blow it up if this demand was not met, according to the Iranian agency.

IRNA also quoted a Jordanian passenger, released because of illness, as saying five or six men armed with hand grenades and pistols, who had taken control of the aircraft about three hours after it left Bangkok, had tied the passengers' hands and seated them in the rear of the aircraft.

Later, Kuwaiti political sources said the Kuwaiti Government was holding an emergency meeting on the incident.

The 17 Arab militants, all but one of them Shia extremists imprisoned in Kuwait in 1984, were convicted of car bomb attacks against the US and French embassies there in the previous year. Three are under sentence of death.

Persistent and seemingly concerted attempts to obtain their release have spawned a number of terrorist outrages including the hijacking of a Kuwait Airways Airbus to Tehran at the end of 1984 and a TWA 727 to Beirut in the summer of 1985, two long-drawn out affairs involving the killing of three Americans.

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Fed governor says US inflation rate 'entirely unsatisfactory'

GOVERNOR Wayne Angell of the Federal Reserve Board said in New York yesterday that the US inflation rate is "entirely unsatisfactory" and should be reduced to a 1 per cent annual rate by 1990.

Beazer in Koppers appeal

BEAZER, the UK building company, yesterday filed an appeal against a California court injunction that has blocked its bitterly contested attempt to take over Koppers, a US aggregates and chemicals group.

Shultz continues peace mission

MR GEORGE SHULTZ, the US Secretary of State, whose Middle East peace mission appears to be making little headway, held inconclusive talks yesterday with Jordan's King Hussein before leaving for Damascus.

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WHITE HOUSE STALLS ON MARKET REFORM

Soviet Union: Yuri waits for Moscow to enter the modern age of motoring 2

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Senator William Proxmire, Chairman of the US Senate Banking Committee, condemns delays, Page 22

EUROPEAN NEWS

FIERCE STRUGGLE UNDER WAY IN SOVIET PARTY, SAYS NEWSPAPER

Pravda castigates reform opponents

BY LESLIE COLLITT IN MOSCOW

THE SOVIET Communist Party newspaper Pravda yesterday said an "acute" struggle was under way between supporters and opponents of Mr Mikhail Gorbachev's perestroika reforms of Soviet economic and political life.

Pravda attack coincided with a series of debates taking place within the Soviet Communist Party over inner-party democratisation in advance of a special party conference to be held in June. The conference could lead to a replacement of central committee members who have only reluctantly followed Mr Gorbachev's sweeping reforms.

Pravda said some people's "nostalgia" for the past could be understood but that it was not proper for a "press organ" to propagandise such views. It criticised the party newspaper of the Russian Federation, for publishing what it called a "manifesto" for opponents of perestroika.

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Voices raised against Jaruzelski in Communist party

BY CHRISTOPHER BOBINSKI IN WARSAW

HARDLINE CRITICISM in Poland of General Wojciech Jaruzelski's economic reforms is surfacing within the Communist party amid warnings that the country faces another political crisis.

The hardliners have been spurred into action by the General's partial condemnation last month of anti-Semitic purges in the party in 1968 which many of them supported. The urgency also flows from the present round of price increases which threaten to push the inflation rate beyond 50 per cent this year, fuelling

shop-floor pressure on wages and raising the spectre of an uncontrolled inflationary spiral.

The latest issue of the weekly magazine Zycie Literackie carries an article by Mr Stanislaw Kociol, a prominent hardliner, criticising the reform programme for "scurrying the private sector and economic relations appropriate to capitalism."

Mr Kociol was party First Secretary in Warsaw and then ambassador in Moscow before being pushed out of office by Gen Jaruzelski in the mid-1980s.

His article seeks to defend Mr Wladyslaw Gomulka, who was party leader in 1968 and thus ultimately responsible for the purges. The same newspaper has also mentioned a recent stormy meeting of Communist party war-time partisans, now members of the Zbrojow Veterans' Association, who have dealt a blow to Gen Jaruzelski's prestige within the establishment by criticising the "failure to resolve Poland's crisis."

Mr Teodor Kufel, a retired senior security official, told the

meeting that the country "finds itself on the eve of a new crisis with unforeseeable social, political and economic consequences."

He attacked growing social differences and accused the Government of trying to make up for its failure to increase production by embarking on a "mad round of price rises."

"The basic principles of our socialist system are being discarded step by step," he told the meeting which later condemned the Government overweighing for failing to provide "clear,



Gorbachev: perestroika under attack in party

Wide agenda for Thatcher discussions in Ankara

BY ROBERT MAUTHNER IN LONDON AND JIM BODGEN IN ANKARA

THE BRITISH Prime Minister, Mrs Margaret Thatcher, is expected to have wide-ranging talks with Mr Turgut Ozal, her Turkish counterpart, covering Turkey's role in Nato, possible solutions to the Cyprus problem and British participation in major Turkish economic projects, during a two-day official visit to Turkey starting today.

Mrs Thatcher, who is reported to admit the efforts made by Mr Ozal to restructure and modernise his country's economy, will be paying the first visit of a British Prime Minister to Turkey since its creation as a modern state by Kemal Ataturk in 1923. She will also have a meeting with General Kenan Evren, the Turkish President.

Though her hosts are expected to seek reassurance from Mrs Thatcher that the British Government supports Turkey's application for full membership of the European Community, the Prime Minister will not commit herself to a firm timetable. While Britain has stressed all along that it is sympathetic to Turkey's desire to adhere to the Community, the view in London, as in other EC capitals, is that the whole procedure will take a long time.

For the moment, it is being emphasised in London that it will take at least two years for the European Commission to come up with its considered opinion on the Turkish application and that the Commission's conclusions will determine the future course of events.

Mrs Thatcher can be expected to urge Mr Ozal to take advantage of the recent improvement in Greek-Turkish relations to intensify his efforts to find a solution to the Cyprus problem. However, officials said that she had no intention of offering the British Government's services as a mediator and that London continued to believe that a solution to the Cyprus problem should be found in the framework of the proposals made by Mr Javier Peres de Cuellar, the United Nations Secretary-General.

British contractors are hoping that at least one major award will be made or follow on from the visit. Their hopes are centred on defence and highway construction awards, but diplomats say it may be premature to

expect a contract for the third Bosphorus bridge. Defence contracts from the Government's \$15bn drive to modernise the military inventory will probably figure high on the agenda of talks during the visit.

A \$1bn contract for the local manufacture of amphibious armoured vehicles has been lost to the Fiat Corporation of the US, but there are great expectations of a repeat order, valued at

Mrs Thatcher will be paying the first visit by a UK Prime Minister since Ataturk created the modern Turkish state in 1923

\$300m-\$400m to British Aerospace for its Rapier missiles. Also at stake is a complete low-altitude air defence system.

Plessey, Marconi and Westland are also bidding for radar, communications and helicopter supply and local manufacturing contracts as well. Heading the list of construction contracts is a \$250m "finance, design and build" project to drive a 9km local traffic highway from Besiktas to Samsatya through the heart of European Istanbul, which includes another bridge across the Golden Horn.

George Wimpey and Co and Tarmac International are co-sponsors of a consortium which has already been selected for the contract by Istanbul municipality. All that remains is the Treasury's blessing and a go-ahead from Mr Ozal's office.

Balfour Beatty International is also close to signing a contract for a \$200m road between Aydin and Denizli in the south-east. This is the last major highway awarded from the Government's ambitious toll motorway construction programme launched after the award of a contract for the second Bosphorus bridge in 1985.

Mrs Thatcher is expected to lobby hard for the award of a "build-operate transfer" (BOT)

contract for the third Bosphorus bridge to a consortium including Trafalgar House, which is contending with the lowest bidder, Serai Turkes-Feyzi Akkaya (ST-FA) of Turkey, and its quote of \$171.5m. A grant offer of around \$35m from the UK has been indicated to swing the award.

However, the Turkish Government has cut back severely on its development programme in 1988 to curb inflationary growth, and it may feel the third bridge can wait for the present. The bridge forms part of a local traffic route including the Besiktas to Samsatya highway. An award for the bridge might also be out of phase, since it will take only three or four years to build, compared with five for the highway.

An announcement of the successful consortium was expected soon after bids were returned for the third bridge on February 8. But the municipality has postponed an announcement several times, saying the bids were still under evaluation. The mayor of Istanbul, Mr Bedrettin Dalan, has said on several occasions that ST-FA would be ahead in the competition. But he is an astute politician not likely to pass up the political capital accruing from a non-binding statement of intent during the first visit of a UK Prime Minister to Istanbul.

Istanbul contractors say more progress could be made on a BOT contract for a \$250m water treatment centre at Omerli on the Asian shore of the Bosphorus. Istanbul Water and Sewerage Administration has to choose whether to invite tenders or select one of three groups bidding for the work.

In recent years, Turkey has become a prime market for UK exporters. Bilateral trade has increased by 160 per cent since Mr Ozal first took office as Prime Minister in 1983 to total more than \$1bn in 1987, heavily weighted in Britain's favour.

UK exports totalled \$700m in last year, compared with \$540m in 1986. From the UK's Turkey's third largest trading partner behind West Germany and Italy, Britain ranks fifth as an export market, and sixth as an import supplier. British tourists are discovering Turkey, with 270,000 visitors in 1987.

Gorbachev sees chance of pact at summit

BY OUR FOREIGN STAFF

MR MIKHAIL GORBACHEV said yesterday there were realistic prospects for a superpower pact halving long-range nuclear arsenals, despite differences with the United States.

Soviet television quoted him as telling Mr Willy Brandt, the first West German Chancellor, that "we see that a large number of questions have been worked out and, on the remaining questions, we see the possibility of

reaching a mutually acceptable compromise."

It was not clear from the television report whether Mr Gorbachev had expressed optimism about a long-range arms accord being reached in time for Mr Reagan's visit to Moscow on May 29.

Moscow and Washington are committed in principle to seeking an accord by that date, but US officials have stressed that they

are not treating it as a deadline.

According to Mr Egon Bahr, the disarmament expert of the Social Democratic Party who accompanied Mr Brandt, the Soviet leader told his West German visitors that technical obstacles to a superpower accord halving strategic nuclear missiles were not insurmountable, but he was less confident about prospects for solving political problems.

Mr Brandt, who also discussed Soviet reforms and North-South issues with the Soviet leader, said he was impressed by Mr Gorbachev's openness and directness and was convinced of his sincerity in seeking disarmament. On conventional arms, Mr Bahr quoted Gorbachev as saying he was astonished the West still did not recognise Moscow's readiness to take significant steps to disarmament.

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East-West call on chemical weapons

WEST GERMANY'S opposition Social Democrats yesterday made a joint call with the Communist parties of East Germany and Czechoslovakia for talks on a chemical weapons-free zone in Central Europe, Reuters reports.

The statement, presented in Bonn by Mr Karsten Voigt, a Social Democratic deputy, was also published by the East German news agency, ADN.

It urged talks between the governments in Bonn, Prague and East Berlin on verification procedures for a chemical weapons-free zone comprising the three countries.

Mr Voigt said such negotiations could speed up agreement in the Geneva talks on a worldwide chemical ban which are stalled because of US doubts that an accord can be verified effectively.

He said the statement signalled willingness by the two Warsaw Pact countries to discuss their own strategy to disarmament. Last year the Social Democrats issued a controversial statement with the ruling East German party on common goals and shared values despite the East-West rift.

The statement said the US decision to resume production of binary chemical weapons, which combine two harmless substances into lethal bombs, was complicating the Geneva talks.

However, it welcomed the US promise to withdraw chemical weapons based in West Germany by 1992. Mr Voigt said Prague and East Berlin would eliminate their own arsenals after the US action.

West Germany, East Germany and Czechoslovakia, should agree to resume production of binary chemical weapons, which combine two harmless substances into lethal bombs, was complicating the Geneva talks.

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Azerbaijan strikers 'going back'

By Leslie Collitt in Moscow

THE SOVIET newspaper Izvestia said yesterday that striking workers in Nagorno-Karabakh, the disputed region of Azerbaijan, were slowly returning to their jobs, while Tass news agency reported that the stoppages had caused four factories to go bankrupt.

The report in Izvestia indicated that some strikes in Stepanakert, capital of Nagorno-Karabakh, continued to disrupt daily life. "Today, it seems, is the first day" when the situation in Stepanakert had genuinely improved.

Tass said production losses from the strike amounted to more than 400 million (33.6m).

The strikes were called last month in protest against the refusal by the Soviet leadership to allow Nagorno-Karabakh to join the Soviet Republic of Armenia.

Nagorno-Karabakh has been governed by the Republic of Azerbaijan since 1923. The status of the region has long been disputed between traditionally Christian Armenians and Muslim Azeris.

Izvestia said more than half of the personnel of an electrical engineering factory and a silk mill in the capital had reported for work and about a third of the workers of the shoe and furniture factories.

The newspaper said Stepanakert was "beginning" to extricate itself from an impasse into which it had been drawn by "runaway emotions." "What Nagorno-Karabakh needs now is to take at least a calm breath," Izvestia maintained.

The politically motivated stoppage has worried the Soviet leadership. Previously, any independently organised strikes had been over job grievances.

Kadar bars the door to bold political reform in Hungary

BY JUDY DEMPSEY, RECENTLY IN BUDAPEST

THE HUNGARIAN Communist Party appears to have decided against any bold political reforms, according to a central committee draft document which was debated at next month's party conference, the first since 1957.

The document bears the stamp of Mr Janos Kadar, the party leader since the Soviet intervention of 1956. It spells out in no uncertain terms that political change will be debated at next month's conference, and that Mr Kadar himself has little intention of relinquishing control over the party.

Although it catalogues a list of mistakes made by the party over the past few years, in particular the changing nature of the Communist Party's role in the economy, the document says that unity should prevail over dissenting views within and outside the party.

Hungary has recently seen a burgeoning of small unofficial opposition groups, ranging from environmentalists to those who ask basic questions about the functioning of the Communist system. There are also several factions within the party which oppose Mr Kadar's line.

The document has already disappointed several economists and intellectuals who argue that, without political reform, economic reform will inevitably run into trouble. One of the advocates of this view is Mr Imre Pozsgay, chairman of the Patriotic People's Front (a broad-based political movement outside the Communist party but supported by it), which was criticised indirectly in the draft document.

Supporters of Mr Pozsgay argue that the longer Mr Kadar postpones his retirement or the introduction of some political reforms, the more difficult it will be to rebuild a consensus.



Kadar: keeping control

"His (Mr Kadar's) version of consensus has cultivated the usefulness. The much indistinct and uncertainty now prevails in the country about the future of the reforms," one central committee member said.

A sense of uncertainty is reflected in the party's journals, in official publications and within the think-tanks which are a hot-bed of new ideas.

Mr Pozsgay and many economists believe that the leading role of the party should be redefined in order to reflect the changing nature of the Communist system. This would mean "institutionalising" groups with differing political views and allowing a measure of genuine pluralism.

Several Hungarian political scientists have argued that economic reforms inevitably bring conflicts. They say it is time the party channelled these into a wider, more pluralist political

arena, and that otherwise the conflicts will go beyond the control of the party.

For instance, Hungarian academics argue that the unemployment whose existence is now becoming ideologically accepted, will require institutions in which they can exercise their rights.

They point to the grievances of the less well-off, those without access to the moon-lighting "second economy", and the country's increasing dependence on foreign aid. The party whose structures are still rigid, has seen a sharp fall in membership, and the academics say there could be further increases in the strength of unofficial "lobbying" groups.

"The party is no longer able to respond to these changing circumstances. Communist parties are not equipped to deal with these emerging conflicts," one Hungarian political scientist argued.

Mr Pozsgay and others regard Parliament as one of the means for institutionalising these groups. But Parliament has an abysmal record on allowing non-party groups to voice their grievances. "At the end of the day, it is the party who will decide," one Hungarian journalist commented.

The document calls for a wider range of choices in party elections, but it does not envisage any change in the current requirement that all candidates accept the party programme. "Essentially, it is a holding operation," a Hungarian journalist commented. "Kadar has reassured his authority in the party even though he carries little authority outside the party."

Several Hungarians wonder how long Mr Kadar can hold together an increasingly restless party and society before the underlying conflicts burst into the open.

The Uzbey Fort used car lot at the other end of Moscow is jammed with almost new and many used cars. As in many

Ankara receives EC aid despite Greek opposition

BY JIM BODGEN IN ANKARA

A PACKAGE of European Community aid for Turkey valued at a total Ecu5.5m (£5.27m) was handed over in Ankara yesterday as a first step on the long road towards the revival of Turkey's relations with the Community and full membership.

The aid has been extended in the face of a court action by Greece against it in Luxembourg.

The money is left over from old aid programmes in the 1970s, and is for anti-malaria and other health projects. The signing of the agreement despite the Greek court case was made possible by the Single Europe Act, which allows for a majority decision in the Council of member states to override individual countries' vetoes.

Athens declines to ease terms for EC-Turkey pact

BY ANDRIANA IERODIACONOU IN ATHENS

ATHENS HAS signalled to Ankara that it still intends to set tough conditions on the revival of Turkey's 1963 Treaty with the European Community, despite an improvement in bilateral relations.

A Greek spokesman confirmed this week that the Turkish Government has asked Athens to lift its objections to the release of Ecu500m (£265m) in funds under the Turkey-EC Association Treaty.

He said, however, that Greece continues to set two conditions on the release of the funds: the prior complete withdrawal of Turkish occupation troops from Cyprus; and the improvement of the human rights situation

The association agreement was effectively frozen after the 1980 military coup. However, a diplomatic drive to revive the accord has been under way since 1986, with the latest approval of all EC member states except Greece.

Late last year, Turkey agreed to resume making tariff cuts provided for in the agreement, which foresees a customs union between the EC and Turkey in 1995.

Ankara is hoping for substantive discussions at an EC-Turkey meeting later this month. The first EC-Turkish ministerial council meeting since the 1980 coup took place in autumn 1986, but Greek opposition sapped those talks of substance.

Switzerland cuts surplus estimate

SWITZERLAND'S estimated current account surplus for last year narrowed to Sfr10,427bn (G.S.565m) from the UK's Treasury's surplus of Sfr12,137bn. The Swiss National Bank reported yesterday, AP-DJ reports from Zurich. The narrower surplus stemmed in part from the weak dollar and lower interest rates, the central bank said.

In the third quarter of 1987, the estimated current account surplus widened to Sfr2,88bn from an estimated surplus of Sfr1,92bn in the third quarter, but shrank from the provisional surplus of Sfr3,25bn in the fourth quarter of 1986.

More Soviet Jews allowed to emigrate

Jewish emigration from the Soviet Union continued to accelerate last year when 94 people were allowed to leave, according to the Intergovernmental Committee for Migration, writes William Dulifore in Geneva. This was the highest monthly figure since July 1981.

W German boost

West Germany's overall balance of payments surplus edged higher in January to DM4bn (£1.3bn) from DM2,98bn in December, Bundesbank figures showed. Reuters reports from Frankfurt.

Belgian jobless

Belgium's unemployment rate fell to 10.9 per cent in March from 11.3 per cent in February and 11.3 per cent a year earlier, according to the National Labour Office, AP-DJ reports from Brussels. Some 458,488 people were unemployed in March, down from 476,141 the previous month.

Yuri waits for Moscow to enter the modern age of motoring

BY LESLIE COLLITT IN MOSCOW

THE MODERN facade of the sprawling Avtomobil service centre on Moscow's Minsk Boulevard holds a promise of efficiency which, alas, is not fulfilled within.

Inside, Yuri, owner of an eight year old Lada car, was waiting. Like the other motorists gathered here, he took the day off from work - legally or not, one can only speculate - to have his car repaired.

First, he queued for 45 minutes outside to tell a disgruntled mechanic the car needed a tune-up. He mentioned that he wanted his friend, the mechanic Vladimir in Bay 84 to work on his car. Request granted, Yuri waited another hour and drove into Vladimir's repair slot.

Being able to choose one's

mechanic and watch him at work sounds rather sensible to Western motorists who are forever being victimised by garage and mechanics. The Soviet explanation, however, is different. If Yuri had been assigned a mechanic and not watched every move he is convinced the engine and chassis would have been pillaged for serviceable parts. As it was he knew Vladimir and, bending over the engine, he advised him on every step of the operation. The visit to the service centre would take Yuri's entire day.

When parts were required, Yuri - not the mechanic - had to go to the parts stockroom to queue up. First, it was to ask for the part and to get the

price. Then under the time-honoured Soviet system he queued a second time for the cash desk and paid for the item after which he queued a third time to pick it up.

Several dozen motorists, whiffing away the time in front of the building, were absorbed in a lively but illegal gambling game. A young man urged them to risk their roubles while quickly moving about three thimbles and a tiny ball on a board. The men were to guess under which thimble the ball was to be found. Even when the wagers had reached E200 a guess - the average monthly income in the Soviet Union - no-one batted an eyelid.

Inside, Yuri helped shove another man's car into a repair

slot. He would love to buy a new Lada, he said. The problem was less the money - E7,400 - than the waiting time.

The Lada and Moskvitch cars in a showroom on the outskirts of Moscow were not for sale. They could only be purchased through one's place of work and with the approval of the trade unions under the important one's job the quicker one got delivery of the car. As a scientist, Yuri believed he had a good chance of getting a car in less than a year. Less privileged workers would have to wait "many years".

The Uzbey Fort used car lot at the other end of Moscow is jammed with almost new and many used cars. As in many

other areas of Soviet life, this is the alternative to getting a car the bureaucratic way. Owners of newly delivered cars resell them here at a premium of 50 per cent and more. Men from Soviet central Asia, who are reputed to be loaded with roubles from lucrative sales of produce, made several offers for the FT's office Volvo. They were resisted.

A young man in a used white Lada explained the routine while a man nearby in a black fedora hat furtively pocketed a wad of bills. Sellers of cars and prospective buyers bargained until they agreed a price. It was as easy as that. Our young man in the Lada was asking E6,000 for his 1979 car which cost E7,400 new. The black

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market price for a new Lada was E10,000, he said knowledgably.

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Dalai ignores invitation to return to Tibet

BY COLINA MACDOUGALL IN LONDON

THE DALAI LAMA, speaking in London yesterday, rejected implicitly an invitation to return to Tibet and said the basic problem for the country was not his return but the issue of human rights and the destruction of Tibetan culture by the Chinese.

The Dalai was responding to an invitation, proffered at the weekend, by the Panchen Lama, the second highest man in Tibet's religious hierarchy, who lives in Peking and is widely seen as the mouthpiece of the Chinese leadership.

Hitherto China has stipulated that if the Dalai Lama returns, he must stay out of Tibet, safely insulated from his Buddhist followers.

His visit to London comes when the Tibetan Government-in-exile is trying to draw attention to the plight of its homeland from which it fled in 1959.

Chinese destruction during the 1966-76 Cultural Revolution and Chinese immigration, enormously increased since then, are the point of wiping out the unique Tibetan culture, it believes.

The exiled leader confirmed that he himself was in regular touch with more liberal Chinese leaders and that the "reason and justice" of the Tibetan cause was more "moral and practical" than one of violence.

But, "I have big arguments with younger people who are more militant," he added. "If we follow violence we can easily be crushed."

The Dalai was referring to anti-Chinese rioting in Lhasa last

October and then in March which caused a number of deaths and a severe Chinese crackdown on Tibetans accused of separatism.

The Dalai said that given the improvement of the situation in China, and in Tibet in recent years, he was optimistic about the future. "China's whole concept of foreign and domestic policy is more humanised and positive, and this is a hopeful sign."

The Dalai Lama referred to a five-point proposal he made last autumn when in the United States, which suggested that Tibet be made a demilitarised zone between China and India and that more autonomy and human rights should be practised within the territory. He said he was working on a "middle way" which could bring a solution.

The Dalai noted that of all the countries of the West, Britain was the most aware of Tibet's position. "But both Tibet's status and the attitude of the British Government has never been very clear," he said, referring to the historical ambiguity over Tibet's status and British anxiety not to offend Peking.

He said he understood British requests that he should not make political statements during his visit, adding: "The Tibet issue is very sensitive - the British Government wants close links with Peking so it's cautious, though sometimes it seems over-cautious."

Comparing Tibet's position with Hongkong, he said "It's a delicate question - we are concerned about the 6m there. But China is much changed, and that's a sign of hope."

John Elliott reports from Amritsar on the poor prospects for ending years of civil strife Sikh ambitions extend beyond the Punjab

GHANI JAGIR SINGH sits in flowing dark blue robes and a saffron turban on the floor of the Sikhs' famous Golden Temple in Amritsar, Northern India, a long sharpened sword across his knees and an AK-47 Chinese-designed assault rifle leaning against the wall behind him. On the floor is a map of India, excluding only the northern state of Jammu and Kashmir and the North-Eastern states around Assam.

"All this is Khalistan," he says, he sweeps his hand across the whole of the map. "Sikhs contributed 96 per cent of the dead in India's fight for independence from Britain, so we have a right to 96 per cent of the land. The fighting will continue till we annex and occupy 96 per cent of India, and we will kill Rajiv and Ribero and all other police people," he adds referring to Mr Rajiv Gandhi, Indian prime minister, and Mr Julius Ribero, Punjab's tough police chief.

Khalistan is the name given to the independent country which extremist Sikhs want to create in their North Indian state of Punjab, where about 600 people have already been killed this year. The aim of a Punjab Khalistan was itself somewhat unrealistic. But last year, reflecting the historical Sikh kingdom of the early 1800s which stretched from Peshawar near Afghanistan to Jammu in Northern India, this was extended. Almost unbelievably, the ambition is now sub-cont-

inental. The spectre of an unending terrorist and guerilla war to be waged by the most extreme Sikhs was put forward by Mr Jagir Singh in his role as spokesman in the Golden Temple for the Panthic Committee, a group of extremists who last year used a special conference of Sikhs to seize supreme political and spiritual power over the sect's activists.

This power is nominally exercised from the Golden Temple, now a heavily armed no-go area for security forces with the triangular Khalistan flag fluttering from roof tops. But the committee members are rarely seen there and are said to spend much of their time across the border in Pakistan.

The Golden Temple was cleared of extremists by the Indian army in June 1984 in a massive commando operation which led to the assassination later in the year of Mrs Indira Gandhi, then Prime Minister. Now the extremists have completely regained control. The government is ordering security forces not to try to remove them till Mr Gandhi's new peace initiative, announced five weeks ago, has been given two or three more weeks to prove itself.

Mr Jasbir Singh Rode, a militant front priest released last month from prison by Mr Gandhi along with over 40 other militants, is the man on whom the

peace hopes rest. He is trying to unite extremists, terrorist organisations and Sikh political parties as the first step towards negotiating a possible settlement.

There are about 15 or 16 terrorist organisations, but he has five main ones to deal with. Three, which are the most committed to an independent Sikh state, are the Khalistan Commando Force, Bhindranwale Tiger Force (named after the top extremist leader killed in the 1984 temple battle) and the Gurji faction of the All India Sikh Students' Federation.

The other two groups are believed to be more inclined towards an eventual compromise with the Indian government.

They are the Babbar Khalsa, a highly disciplined fundamentalist group linked with a second faction of the Students Federation, and the Khalistan Liberation Force. There are also various factions of the traditional Sikh Akali Dal political party which

and quickly trained to work alongside three established policemen. Police chiefs hope these "pickets" will hold terrorists at bay till the main security forces arrive. Paramilitary forces are being reinforced with over 20 companies of the Indo-Tibetan police force to guard banks, which terrorists raid to pay for arms, and other key installations.

Yesterday began some unification moves.

Apart from some form of Khalistan, the extremists' demands are far from clear. Almost all Sikhs, moderates as well as militants, believe that Mr Gandhi must apologise for the 1984 raid on the Golden Temple and start court action against senior members of his Congress Party who allegedly incited riots in which thousands of Sikhs were killed after Mrs Gandhi's assassination.

Mr Gandhi himself, in a Financial Times interview last week, acknowledged that some "emotional" gesture would be made by the government, but would not say what this might be.

Mr Rode says that before any talks can start, the government must "establish its credibility" by starting the court actions, withdrawing all security forces from Punjab apart from the state's police, reinstating Sikhs expelled from the army after desertions, repealing special security "black

laws," and releasing all Sikh activists from jail.

He then modifies the Khalistan demand by asking for *purva azadi* or complete freedom. He says this should include political freedom according to policies the Sikhs will draw up soon.

Few people in Punjab - or in the rest of India - give the peace initiative much chance. They believe that Mr Rode, a mild looking man who has little charisma or obvious leadership potential, will either be swamped by the violence or will have to stick to so many of his demands that the government will be unable to settle.

Some members of the extremist groups are accused by police chiefs of organising recent mass family assassinations to try to stop the peace moves. But the groups have condemned the mass killings and even alleged that the government has organised a conspiracy against them because it wants to introduce a state of emergency.

Mr Jagir Singh has a hit list of "culprits" for killing.

"Yes we are talking about killing hundreds of thousands of people. Even tens of millions," he declares. The main hope in Amritsar is that such talk is a tactic aimed at ensuring that the most extreme Khalistan groups are included in any peace moves and are listened to seriously.

Manila talks start on future of US bases

By Richard Gourlay in Manila

THE US and Philippines yesterday started a five-yearly review of an agreement covering two of the most important US military bases overseas, which will help shape regional superpower relations into the next century.

Anti-bases demonstrators marched through Manila, marking the start of talks which are expected to signal - if not finally decide - whether the bases stay in the Philippines after the current agreement expires in 1991 and on what terms.

Mr Nicholas Platt, the US Ambassador, stressed the strategic importance of the bases in countering the potential menace from what he called the expanding Soviet presence in the region.

He said that apart from providing a security umbrella, the bases allowed the Philippines to divert money from external defence to economic development.

Mr Raul Manglapus, the Philippine Foreign Secretary, said he would concentrate on looking after the Philippine national interest during the review.

Last week he said that the Philippines felt no external threat in the region. He called on his Asian neighbours to share the "political cost" of hosting the bases.

China drops plan to merge ministries

CHINA yesterday announced a surprise reversal of its decision to restructure its various transport ministries within an overall shake-up of its vast and inefficient bureaucracy. Reuters reports from Peking.

State Councillor Song Ping told delegates to China's parliament, the national people's congress, that the ministry of railways, the ministry of communications and the state airline, CAAC, would not be merged as he had announced last week.

China's overburdened railways have been strongly criticised after four serious crashes this year which killed about 160 people. Minister of Railways, Ding Guangen, resigned after the third

disaster.

Explaining the reversal, the official New China News Agency said the Government had taken note of delegates' views on the proposed reorganisation. No details were disclosed.

A Western diplomat said he was surprised at the change. But diplomats agreed that the reversal would boost the image of the national people's congress as a body with some influence rather than just a rubber stamp for Communist Party proposals.

Song was quoted as saying the Government's restructuring programme was transitional and would be perfected through experience.

Two Palestinians killed in Israeli border town raid

TWO PALESTINIAN guerrillas were killed and four Israeli soldiers injured during a prolonged gun battle on Israel's northern border with Lebanon early yesterday.

The attempted cross-border incursion was the fourth in the past two months, and appears to have been designed to show support for the Palestinian uprising in the Israeli-occupied territories.

Responsibility has been claimed both by Mr Yasser Arafat's Fatah branch of the Palestine Liberation Organisation and by the smaller Palestine Liberation Front headed by Abu Abbas.

Yesterday's four-hour engagement took place across the electronic border fence itself.

Visiting the scene of the clash near the village of Yuval in the

Galilee panhandle, Mr Yitzhak Rabin, the Defence Minister, claimed that instructions had been sent "to the terror groups in south Lebanon to increase their activities, infiltrations and Katyusha rocket attacks."

The Defence Minister told reporters that all the terrorists were "eliminated" but "it is believed that one member of the group may have been captured, and others possibly escaped."

"There is no doubt that since the violent disturbances in the territories began, the PLO in all its factions is trying very hard to try and prove (that) ... the terror which failed to achieve any goal over the past 30 years should be accelerated," said Mr Rabin.

Moscow reluctant to help with Gulf arms embargo

A SENIOR Soviet official has given the clearest public indication yet of Moscow's extreme reluctance to co-operate with moves by Western members of the UN Security Council to obtain its agreement on an arms embargo against Iran as a means of hastening an end to the Gulf conflict.

In Abu Dhabi on Monday night Mr Georgy Tarazevich, Vice-President of the Presidium of the Supreme Soviet, said that "we are not against one," but added that mandatory sanctions "will not end the war, because Iran will manage to get weapons from the black market and even the allies of those canvassing for an embargo."

The general tenor of a somewhat ambivalent exchange with the news agency Renter seemed to be made clear by a further comment by him that "we have to work out something, but we do not want our tie with Iran to be harmed."

The US has obtained a specific commitment from China to support moves towards adopting a resolution on sanctions.

However, together with the UK and France, it acknowledges that efforts to get agreement on one

from the full council have been gravely undermined by Iraq's indication of the current five-week-long "war of the ditches," its resumption of attacks on shipping in the Gulf and the use of chemical weapons last month in Kurdistan.

Iraq yesterday fired missiles at Tehran, Esfahan and Qom, according to the official Iraqi News Agency.

At least 15 civilians died and several others were injured when the missiles hit residential districts, Tehran said.

The attacks came hours after an Iranian missile raid on the Iraqi oil centre of Kirkuk. Iran continued to shell the Iraqi port city of Basra yesterday, killing several civilians, according to Iraq.

Tehran Radio also reported that Iranian forces had fired a dozen missiles at Umm Qasr near the Kuwait border, the site of Iraq's defunct naval base on the Gulf.

Under the draft resolution on which the UK was working, either of the belligerents not complying with resolution 596, adopted last July, would be affected by an arms embargo.

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AMERICAN NEWS

Fresh blow to embattled US attorney general

BY LIONEL BARBER IN WASHINGTON

THE White House has blocked efforts by Mr Edwin Meese, the embattled US attorney general, to appoint his own candidate to head the Justice Department's criminal division.

In a further setback for Mr Meese, his choice for the Department's second-ranking post of Deputy US Attorney General is reluctant to take on the job.

Mr Meese had hoped to announce this week two acceptable candidates as replacements for the two top Justice Department officials who resigned last week over Mr Meese's continuing legal difficulties.

Rebuilding the top echelon of the Justice Department was a vital part of Mr Meese's drive to restore his authority within the department and to fend off calls for his own resignation within the US Congress and the press.

But the White House, anxious to avoid last year's botched Supreme Court nomination of Mr Douglas Ginsburg, has put the brakes on Mr Meese. Officials recall that it was Mr Meese's failure to check into Mr Ginsburg's non-smoking past, which sank his nomination in less than a fortnight.

Mr Meese's choice to head the



Meese blocked by the White House

criminal division was Mr James Knapp, the current head of the department's tax division. But Mr Knapp has apparently withdrawn his name after unspecified legal problems came to light, according to reports in Washington.

Meanwhile Mr Arlin Adams, a Philadelphia lawyer who had been canvassed for the post of Deputy US Attorney General said he was "not optimistic" that he could take on the job because of a heavy workload at his law practice.

Mr Meese still faces a criminal inquiry by a special prosecutor into his conduct in office.

Contras demand freedom of movement during talks

CONTRA leaders yesterday demanded freedom for their negotiators to move around Nicaragua during next week's peace talks, rejecting a Sandinista proposal limiting them to an airport hotel in Managua, AP reports from Miami.

"We will not go to Nicaragua to be confined," said Mr Pedro Joaquin Chamorro, Contra director, in the Miami headquarters of the Nicaraguan Resistance, as the rebels are formally called.

Mr Adolfo Calero, the director yesterday named as head of the negotiating team, said the Contras were demanding the right to meet freely with Nicaraguan opposition leaders, the media, the Roman Catholic Church and

anti-draft groups and to publish their advertisements in both the government and opposition press.

Mr Chamorro said the Contras had just sent their counterproposal to the Sandinistas and were awaiting a reply.

The rebel leaders said they intend to arrive in Managua on April 12, with 60 people, including the five directors, members of the resistance assembly and political figures.

Their schedule includes six meetings with the Sandinistas before the delegation leaves April 15.

The agenda is open, like Super, said Mr Calero, saying the Contras will emphasise democratisation.

Jackson in seesaw battle with Dukakis

By Stewart Fleming, US Editor in Washington

Rev Jesse Jackson and Gov Michael Dukakis of Massachusetts were locked in a seesaw battle for victory in the Democratic party's caucuses in Colorado yesterday.

The closeness of the race suggested that Mr Jackson was showing no signs of losing the political momentum which has built up behind his candidacy since the Michigan caucuses of last month.

Early returns from Colorado, where 51 delegates to the Democratic party's convention are at stake, show that just under half the state's delegates reported Mr Dukakis led Mr Jackson by 46 per cent to 40 per cent of the votes cast. Senator Albert Gore lagged well behind with only 4 per cent.

However, Mr Jackson's decision to inject himself into the race was widely criticised. He is seen as a Panamanian strong man General Manuel Noriega offering to help facilitate his departure from the country has come under heavy fire from his rivals for the Democratic party's presidential nomination.

In statements indicative of a greater willingness to challenge Mr Jackson's policy positions, Mr Dukakis and Mr Gore of Tennessee both rounded on Mr Jackson saying that a private citizen should not get involved in such delicate diplomatic manoeuvres.

Mr Dukakis' criticism of Mr Jackson's Panama initiative represents an attempt to counter Mr Gore's accusation of failing to change Mr Jackson's positions. Earlier this week Mr Gore was quoted as describing Mr Dukakis as "absurdly timid... ridiculous... patronising" and "a snide form of racism."

The inconclusive Colorado results will be lost in the publicity which will surround the outcome of yesterday's voting in the much more important Wisconsin primary elections where as many as half the state's registered voters could participate. Polls suggest that Wisconsin will also be a two man race between Mr Dukakis and Mr Jackson.

Mr Jackson's Panama initiative represents an attempt to counter Mr Gore's accusation of failing to change Mr Jackson's positions. Earlier this week Mr Gore was quoted as describing Mr Dukakis as "absurdly timid... ridiculous... patronising" and "a snide form of racism."

Chicago's famous trading exchange celebrates its 140th birthday Innovative spirit of the futures

CONTRARY to popular assumption, the Chicago Board of Trade did not begin its days with speculators selling bids and offers for bountiful Midwest grain crops in a spontaneous outpouring of greed, Bester reports from Chicago.

Instead, the CBT, now the world's biggest futures market, was founded in the spring of 1848 when a group of businessmen met to deal with a shortage of commodities threatening the swampy, frontier city of Chicago.

The founders could scarcely have imagined that the CBT would this year celebrate its 140th birthday as a computerised exchange where billions of dollars in agricultural and financial futures change hands each day.

Their goal was "to help develop Chicago as a city," said Owest Gregory, the curator of CBT archives for the University of Illinois at Chicago.

They had no intention to start a market in agricultural and financial contracts or futures. The businessmen were "voluntary boosters," seeking goals like a decent harbour, bridges and railway links.

Between 1834 and 1853, the CBT operated a trading room where cash grain contracts were exchanged on a registry to assure supplies of commodities. The Board took responsibility for the integrity of transactions, enforcing rules barring false price information.

They made commitments to buy or sell commodities at a later date with little money down - evolved from cash forward contracts.

The records show 1877 as the year of the first known official

futures trades, in corn and oats. Whether futures developed earlier remains a mystery since Chicago's first futures in 1871 destroyed documents from the 1850s and 60s.

It was not all success and glory. In the first few years, the CBT sometimes attracted members by offering a free lunch of cheese and crackers.

Today, competition comes from off-market trading operations and foreign markets. Then, said Gregory, "all the action was on the streets and bridges. That's where the buyers and representatives of Eastern companies would buy cash grain. Then they'd charter the ships."

The longevity of the exchange demonstrates its value, exchange officials say.

Current CBT chairman, Karsten "Cash" Mahmann, said: "To celebrate 140 years of doing business says a great deal about the economic utility of futures trading and the role CBT has played in developing and maintaining these markets."

The innovative spirit that has driven our growth and diversification to projects such as night trading, financial futures, international products and baskets of the Chicago Board Options Exchange (CBOE) continues."

Despite the modernisation, tradition lives. Traders at the exchange shout from one side of an octagonal pit to the other in a din, wagging or price fluctuations in products ranging from corn to currencies, gold to stock price indexes.

Cash grains, once the lifeblood of the traders, continue to be swapped in the pits, but changes in transport patterns in recent

years have moved that activity away from regional centres and such business is now a minor factor in CBT's overall volume.

In its place, major new "commodities" are traded - and traders speculate in the direction of interest rates and currencies, not crops.

"The changes I've seen defy anyone's imagination," said 29-year CBT member and former Chairman John F Gilmore Jr, Vice President of Goldman, Sachs and Co.

The cost of a CBT membership rose to a high of \$550,000 in August 1987, but member/trader Karl M. Combs III, recalls that during the second world war, activity all but dried up and seats sold "at a bar across the street for \$25 dollars," he said.

Contracts that failed to attract investor interest or trade "hedging" business quickly got snuffed out. In the restless world of commodities, exchanges traded out fresh products or revised contracts to replace unpopular offerings.

With the deregulation of financial markets in the early 1970s, interest rates and foreign exchange rates began to change as much in minutes as they had in years. They were tailor-made for the commodity pits.

The stock market crash wrought most changes, cooling some of the enthusiasm for financial futures, particularly stock index futures, that had been driving the markets.

But a revival of inflation has brought traders back to the traditional commodities in hordes, as speculators sought the highest volatility they could find.

Massacres of Brazil Indians returns land to political agenda

BY IVO DAWWAY IN RIO DE JANEIRO

A COLD-BLOODED attack by white gunmen on a tribe of uncontacted Amazon Indians has left at least four dead, more than 20 wounded, and once again forced the plight of Brazil's indigenous people back onto the political agenda.

The massacre, which federal police believe may have involved up to 14 murders, first came to light last week when reports trickled through from Benjamin Constant, a small town on the remote western border where Brazil meets Colombia and Peru.

According to an eye-witness, a gang of 20 heavily-armed white men opened fire without warning on a group of more than 120 Ticunas Indians preparing their midday meal in a clearing close to the Solomões river.

Mr Santos Clemente, a Ticuna who was slightly wounded in the attack, told reporters that firing continued for three hours as the tribe scattered for cover into the forest or down the river.

Federal police have since encountered four bodies and 25 wounded and are searching for 18 more Ticunas, some or all of whom are feared dead. Eighteen uncontacted men have been charged with offenses arising from the crime, although by midday yesterday, none had been detained.

According to a federal police official, the judicial order permitting preventive detentions had not yet been received due to communications difficulties.

Yesterday, as the authorities were attempting to calm other Ticuna communities, representatives of the tribe were due to seek an audience with President Jose Sarney in the capital, Brasilia, to

demand tough sentences for the gunmen.

But despite widespread outrage at the crime, organisations fighting for Indian rights are expressing scepticism that adequate steps will be taken to protect Brazil's 200,000 remaining Indians from similar atrocities.

"The situation is bad and getting worse," Mr Antonio Brandt of the Catholic Indian mission, Cimi, said yesterday. "We had 11 killings last year and already we have passed that in 1988."

Mr Brandt went on to claim that while the laws protecting Indians were good, they were seldom fully enforced. Furthermore, attacks on Indians were often treated casually. "In southern Bahia (a state), there have been seven murders of Paparo Indians since 1982, yet no one has gone to jail," Mr Brandt added.

The authorities count that policing the vast Brazilian hinterland is high on impossible, despite the efforts of Funai, the Government's Indian agency. Legislation to create Indian reserves is constantly delayed by the courts by the legal actions of land owners.

It was just such an attempt to enforce the reservation laws by evicting white squatters from the Indian land near Benjamin Constant that provoked this latest atrocity, local people say.

The attack came on Monday last week just 24 hours before Funai officials were scheduled to begin the evictions.

Mr Clemente, whose Indian name is Ecuratu, has denied claims that the Indians were threatening to attack local land-owners.

Mulroney reshuffles his cabinet

BY DAVID OWEN IN TORONTO

IN A cabinet reshuffle which is expected to be the last before the next general election, Mr Brian Mulroney, Canada's Prime Minister, has appointed Mr John Crosbie, a round and avuncular New Brunswicker, as Minister for Natural Resources and Immigration.

Mr Crosbie replaces Mr Patricia Carney, who presided over the portfolio during negotiation of the recently signed bilateral trade deal with the US. Ms Carney becomes president of the Treasury Board, a comparatively quiet position which helps coordinate government and public sector spending.

Explaining his decision last week, Mr Mulroney said he had made the switch because the focus of the free trade issue had shifted. "We are into the legislation and the selling of it across the country," he said. "The talks are over, and the focus is on immigration and immigration."

In another move, Mr Lucien Bouchard, Canadian ambassador to France and a former university classmate of the Prime Minister, has been appointed secretary of state.

Canada's only predominantly French-speaking province. He will immediately participate in the deliberations of the cabinet's powerful priorities planning committee.

Elsewhere, Ms Barbara McDougall has been promoted to Minister of Employment and Immigration. She previously held the privatisation portfolio, which now passes to Mr Donald Mazankowski, the deputy Prime Minister.

Costa Rica to get \$65m standby loan from IMF

BY OUR CORRESPONDENT IN SAN JOSE

THE International Monetary Fund has officially approved a \$65m standby agreement with Costa Rica, departing from its usual policy of first requiring a debt-rescheduling package with the commercial banks. The approval was made on April 4.

Costa Rica and the commercial banks have been talking on and off since June 1987, when Costa Rica began handling debt service payments and proposed that the

banks refinance all of the \$15bn commercial debt on favourable terms.

It asked that the banks reschedule the debt, regardless of whether it had been rescheduled in the past, for 20 years with a 7-year grace period.

Costa Rica offered to pay an interest rate tailored to its ability to pay, as determined by a committee of World Bank, IMF and commercial bank analysts.

Aerospaiale on verge of signing Canadair pact

BY PAUL BETTS IN PARIS

AEROSPATIALE, the French state-owned aerospace group, is on the verge of signing an industrial collaboration agreement with Canadair, controlled by the Bombardier industrial group, to bring the Canadian aerospace company into the European Airbus programme.

Mr Jacques Douffignies, the French transport minister, confirmed yesterday that an agreement in principle had been reached with the Canadian aerospace company.

He said the broad lines of the industrial collaboration agreement had been settled but that the practical details of the deal had still to be defined.

Aerospaiale also confirmed last night that it was on the point of completing its agreement with Canadair, although a spokesman said that nothing had as yet been signed.

Under the agreement, Canadair will make components worth about US\$100 million for the new Airbus A-330 short-haul to medium-haul aircraft and its sister A-340 long-haul aircraft now being developed by the European consortium which includes British Aerospace.

However, Mr Douffignies claimed yesterday that the agree-

ment with Canadair was not connected with the negotiations for a major Airbus order from Air Canada.

But aerospace industry sources indicated that the Canadair agreement would help Airbus clinch an order for 34 short-range to medium-range Airbus A-330 aircraft from the Canadian national airline company.

Although Canadair is expected to participate in the Airbus programme as a supplier rather than a shareholding partner, the agreement is nonetheless regarded as a breakthrough for the European consortium.

It will be the first Airbus industrial collaboration venture with a North American aerospace company at a time when the European consortium is being pressed by its member governments to improve its finances by collaborating with non-European partners.

Apart from helping to open the way to new orders, the Canadair agreement is nonetheless regarded as a breakthrough for the European consortium.

This is to reduce costs in the highly competitive new airliner market.

US call for joint effort to curb offset deals

By Nancy Dunne in Washington

MULTILATERAL efforts to reduce the cost of offset requirements in defence trade have been called for by Dr Paul Freedberg, the US Commerce Under Secretary for Export Administration.

In testimony last week before a Senate Armed Services subcommittee, Dr Freedberg opposed a measure which would require foreign buyers of US arms to reduce their offset demands or else offer reciprocal offset deals to American firms.

He said, the US should work with its allies to limit the use of offsets and at the same time seek multilateral arrangements to improve defence procurement policies within the Western alliance.

Offsets, required by the purchasing government as compensation for buying US military equipment, have been viewed with increasing concern in Congress and within the Administration. Most American companies' offset obligations are with Canada, Japan and Nato countries, and their numbers are rising.

"We are concerned that offsets, particularly co-production, licensed production, sub-contracting and technology transfers have negative effect on some sectors of the US industrial base," Dr Freedberg said.

In the short run, offsets create inefficiencies in defence procurement and raise the costs of weapons systems to US allies. In the long term, they weaken the competitive position of US companies vital to the national defence, he said.

Dr Freedberg cited the cost of establishing facilities for co-production which must be absorbed even though such facilities may exist in the US.

Mr Dennis Bietz, counsel for Pnemo Air Corporation, a subsidiary of ICI Industries, warned that offsets requirements are leading to the dissemination of technology and the development of subsidised foreign competitors.

These entities enjoyed a competitive advantage in the worldwide marketplace, and might compete on a subsidised basis for US defence contracts, he said.

WORLD TRADE NEWS

Low wage costs and tax exemptions are attracting foreign companies, says Canute James

Cashing in on Caribbean free trade zones

NORTH AMERICAN and Asian companies seeking a competitive edge through reduced production costs are moving parts of their operations to free trade zones in the Caribbean.

"In 1982 almost half of the companies in our zone were involved in warehousing," reported Mr Peter King, chairman of the Kingston free zone. "Today, of the 19 companies, 10 are garment manufacturers, four are food processors, there is one large ethanol project and a number of miscellaneous manufacturing enterprises."

The number and size of free zones has grown rapidly in the past five years, bringing jobs to areas of traditionally high unemployment, and some increase, although sometimes marginal, in foreign earnings for the host countries.

The competitive edge is due in no small part to low wages which help to offset devaluations in several countries over the past five years.

"Free zones in the Caribbean are becoming increasingly attractive to investors because they offer tax incentives, a low-cost labour force, and a competitive," explains Mr Manuel Tavares, president of Parque Industrial Ibafo, a private sector free zone in the Dominican Republic.

The Dominican Republic's free zones are particularly favoured by foreign companies. The country has nine zones in operation, with six under construction and 14 planned. About 175 companies,

employing 75,000 people, are located in the free zones, and the government expects employment to grow to 100,000 people by the end of the decade.

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Japan asks US to oppose Toshiba trade sanctions

JAPAN says that Washington should oppose a bill in Congress that would punish Toshiba for its subsidiary's illegal sale of sensitive machines to the Soviet Union, AP reports from Tokyo.

Mr Hajime Tamura, Minister of International Trade and Industry, handed a letter to US Ambassador Mike Mansfield for the administration of President Ronald Reagan asking for the elimination of a sanction clause on Toshiba in the pending trade bill, said an official.

The official said Mr Tamura expressed concern that the American sanction would run counter to a basic principle of the Co-ordinating Committee for Exports to Communist nations, and that it would hurt that group's unity.

Under the rules of Cocom, the Western body that monitors sales of strategic items to communist nations, effective enforcement of export controls is the responsibility of each member nation.

The official quoted Mr Mansfield as saying the US government opposes using trade bills to punish a parent company of a business that violates the agreement.

Toshiba Machine, a subsidiary of Toshiba Corporation, Japan's second largest electronic maker, is accused of selling sophisticated machines to the Soviets illegally between 1982 and 1984. US officials have said the machines permitted Moscow to turn out propellers that could make submarines quieter and harder to detect.

Venezuelan president to boost Japan ties

BY JOSEPH MANN IN CARACAS

VENEZUELA'S PRESIDENT, Dr Jaime Lusinchi, began a four-day official visit to Japan yesterday that is designed to underscore increasing trade ties between the two nations.

Although the US remains Venezuela's chief trading partner, Venezuela has been actively seeking new markets for its exports and new sources of foreign capital in the light of rising US protectionism and the reluctance of American banks to finance new Venezuelan projects.

Trade relations with Japan have increased over the past two years, following a three-year slump, and the Japanese Export-Import Bank has become an important new source of financing for Venezuela.

The Venezuelan president and an entourage of economic minist-

ers plan to seek Japanese financial support for construction of a \$640m railway line, as well as four other large projects in steel, hydro-electric power, aluminium, mining (including gold) and a paper mill.

During the visit, officials will finalise a \$108m loan from Japan's Export-Import Bank to Sanfexin, a government-owned steel plant, and a \$15m to refurbish and run an iron ore hot-dip plant for export.

The same company has offered to build a 510m steel facility in Venezuela, also geared for export markets.

Mitsui Petrochemicals is a partner in a 70,000 metric tonne per year polypropylene plant and a group of Japanese industrial firms are partners in Venalmin, Venezuela's largest aluminium

smelter.

Japanese companies are expected to participate in additional aluminium projects in Venezuela, since the South American country has the world's lowest fixed production costs for smelting aluminium.

Venezuela last year imported Japanese goods worth \$505.2m and its exports to Japan were worth \$285.4m, mostly aluminium and petroleum products. Venezuela's total imports last year were \$2.2bn, while exports were \$10.4bn.

Dr Lusinchi, who left Venezuela on Sunday, is scheduled to spend four days in Japan, then to make an official visit to Indonesia, a fellow member of the Organisation of Petroleum Exporting Countries.

employment," said Mr King. A recent bout of labour unrest in the Kingston free zone has led the Jamaican government to set up a commission of inquiry into the matter.

But investors also face problems of a more technical nature. "When we started our first plant in the Dominican Republic, we had problems with transportation," reported Mr Murphy. "We set up the plant and employed workers, but they could not get to and from work, so we had to get into the transportation business at an added cost."

Because goods going across a fence from the free zone to the host country represent movement into a national customs territory, linkages with local industry also create some problems.

Mr Murphy reported the case of delays in getting work on metal sheathing done by a local fabricator who had to spend time working through a bureaucratic maze to obtain import and export permits.

The eventual integration of the free zones, with their special incentives and tax laws, into national economies also poses a potential problem, argues Mr Murphy. "The initial purpose of a free zone is to create jobs and raise the standard of living. At some point they will have to be competitive in labour rates. Then the question will be how to integrate free zone companies into the local economy. Free zones represent a stage of transition in economic development."

US 'hopeful' on S Korean trade

THE US is hopeful that trade problems between the US and South Korea "will be resolved in the near future," Bester reports from Seoul.

"There has been progress in some areas in the trade talks which have been held in a very friendly atmosphere," Mr Gaston Sigur, the US Assistant Secretary of State, said yesterday.

He was speaking before his departure for Tokyo after four days of talks with President Roh Tae-woo and other high-ranking South Korean officials.

The US has been negotiating with South Korea for months to lift an import ban on beef and to open its market wider to American cigarettes and other products and services. The US runs a trade deficit of nearly \$10bn with South Korea last year.

UK NEWS

Virgin air service to Los Angeles postponed

By Michael Donnan

VIRGIN Atlantic Airways has postponed plans to start scheduled air services this spring between Gatwick, London's second airport, and Los Angeles.

The airline will wait until the Civil Aviation Authority decides, after public hearings this summer, whether British Airways will be permitted to retain the licence for Gatwick-Los Angeles services originally held by British Caledonian Airways. BA at present serves Los Angeles from Heathrow.

BA inherited the Gatwick-Los Angeles licence when it took over BCal earlier this year, and is continuing those flights until the CAA has decided it must stop.

Mr Richard Branson, who runs Virgin, says that because of this, "we do not think the market is big enough for a doubling of the number of flights to Los Angeles from Gatwick."

"We have, therefore, asked the CAA to delete these routes from the BCal licence on the grounds that BA already has a monopoly (on the Los Angeles route) out of Heathrow."

London estate agency reveals post crash loss

BY CLARE PEARSON

STICKLEY & Kent, a leading estate agency based in North London, yesterday revealed that it had fallen into losses in the first quarter of last year after the stock market crash.

Mr Norman Mazze, chairman of Stickley, the Unlisted Securities Market quoted property developer and estate agency which owns Stickley & Kent, said the losses meant the company would not now meet the profit forecast of £1m given for the year ended in June when Shield acquired the agency last summer.

Yesterday's announcement marks the first time an estate agent has admitted to making losses as a result of the collapse in stock market prices last October.

Mr Mazze said that although house prices had held up, turnover in houses worth £150,000 or above had suffered a severe downturn.

"However had improved in the first quarter of this year, but was still affected by uncertainty

among house owners about the direction of the property market, he said.

Shield has been forced to carry out an extensive review of Stickley's operations which led to the loss of 10 jobs. The group is now refocusing its operations to the areas around the M25 orbital motorway embracing London and away from the market in luxury inner-London homes.

The agency is opening an office in Brighthelm, north-west London, to add to its existing outlets in six areas including Kensington, Islington, and Hampstead, all in central north London.

Shield itself intends to turn its attention more closely to the outer London area.

The company also said it had broken off talks begun at the start of March with a number of potential bidders March. Shield said, however, that prices which had been talked about were higher than the current share price they were not considered satisfactory.

IN BRIEF

Seamen and P&O seek new round of talks

The National Union of Seamen was yesterday believed to be drawing up fresh proposals towards resolving a two-month-old dispute by more than 2,000 Dover-based seamen employed by P&O European Ferries.

The initiative came after informal contacts between the two sides and Aca, the conciliation service, appeared to indicate that management and union officials might modify their positions to reach a peace settlement.

Top management officials of P&O European Ferries yesterday met Sir Jeffrey Sterling, P&O chairman. It is understood that that talks focused on a revised pay and conditions package drawn up by Aca last week and rejected by Dover seamen on Sunday. The company indicated last night it still believed a settlement based on the proposals was "realistic."

Channel Island moves
The Bristol and West Building Society is following the Abbey National and the Halifax by moving into the Channel Islands.

Subject to the approval of its members on April 19, the society is to take a controlling interest in two local estate agents - one in Jersey and the other in Guernsey - and plans to offer mortgages to island residents.

Harrisons purchase
Harrisons and Crosfield, the chemicals, building supplies, feedstuffs manufacturer and overseas trader, agreed to buy Woodbury, a US timber and building supplies group for \$9m (\$4.7m). The proposed acquisition is the first part of the company's plan to develop its operations in the US. Woodbury has nine outlets in the states of New York and Vermont, supported by a bulk distribution depot in Glens Falls, New York State.

Mr John Pryor
Mr John Pryor, manager of the FT Insurance Information Group, has died at the age of 63. He joined the Financial Times in 1960 to work for the syndication department. He moved to Financial Times Business Information, founding its single most successful product, World Insurance Report, 14 years ago.

Richard Waters on a controversial accounting issue

Big banks divided on provision for loans to problem countries

BRITAIN'S big clearing banks diverged in their use of general provisions to meet expected losses from "problem" country loans last year, opening a debate on one of the most controversial accounting issues of recent years.

Full details of the provisions became clear with the publication over the past two weeks of the annual reports of the Big Four clearers.

The total amount set aside by the banks against losses on problem country loans was £200m more than was generally reported last month when they announced their annual figures for the year.

This was achieved by switching from general to specific provisions, reducing the charge to the banks' profit and loss accounts.

Barclays was the only bank to continue to increase its general reserves in line with its assets.

This contrasts strongly with National Westminster, which effectively released general provisions back into profits.

General provisions are set aside against unforeseen future losses "which are known from experience to be present in any portfolio of bank advances," to quote NatWest's typical accounting policy. Specific ones are matched against particular loans.

Only specific provisions are tax-deductible, and only general ones count towards a bank's capital for supervisory purposes.

In the past, banks have been criticised for using their general reserves to smooth reported profits from one year to the next.

Three of the four banks ended the year with lower general provisions than they started it. This means that previous estimates of the likely losses in their portfolios were overstated, that they have changed their policy on providing against losses, or that they have used general provisions to reduce the strain on the charge against profits.

According to NatWest, the sharp 30 per cent decrease in its general reserve reflected greater accuracy in assessing specific provisions. The bank said it was carrying out a monthly exercise to identify possible losses on specific loans, and that this would enable it to run down general provisions further.

Midland said it had changed its policy to provide specifically against sovereign loans, while at the same time maintaining and increasing its general reserves.

Barclays, on the other hand, made a virtue of actually increasing its general provisions.

ANNOUNCEMENT

The Amro Bank is pleased to announce that on April 1, 1988 Comptoir Luxembourgeois de Gestion Financière S.A. (Colugefi) was transformed into Amro Bank (Luxembourg) S.A.

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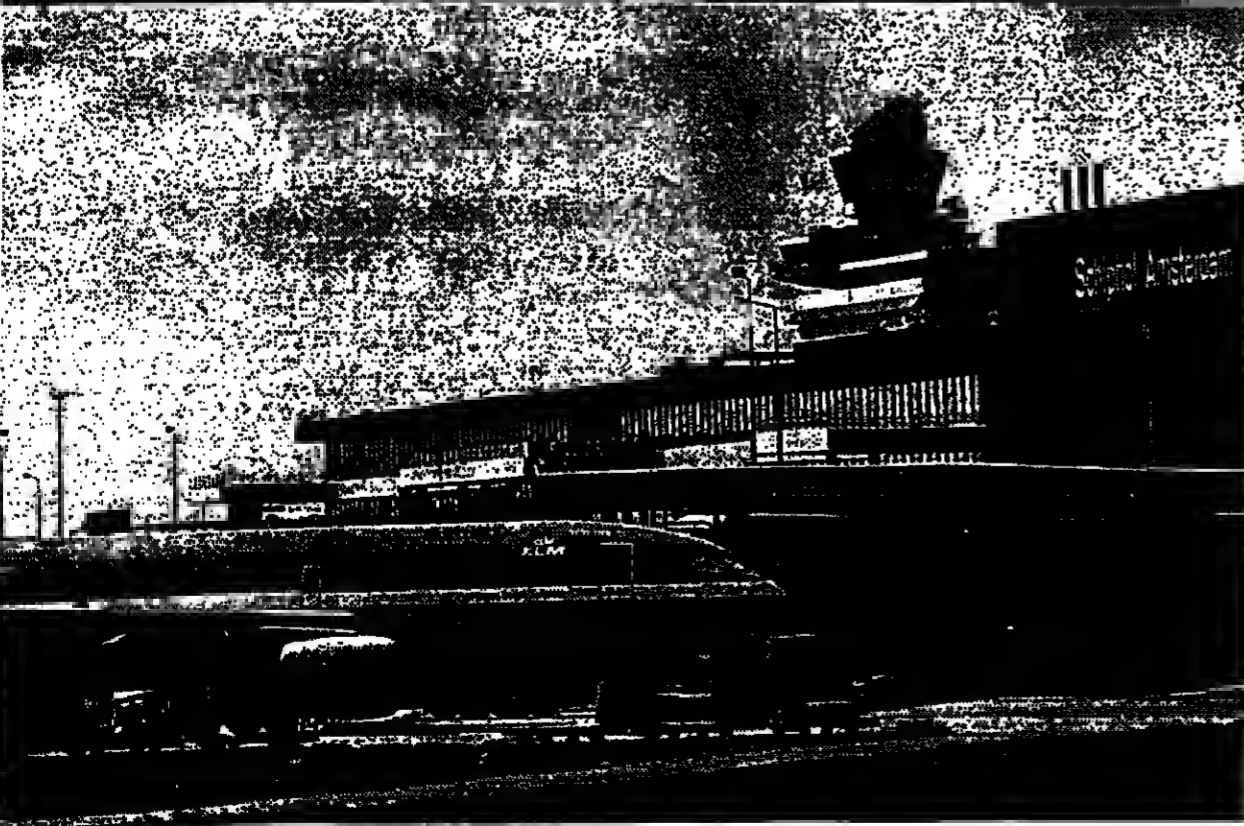
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In 1987, Schiphol and Chiangi were again chosen as the 'best airports in the world' by three independent surveys. Philips compliments them on their well-earned achievement, and complements their excellent facilities with a wide range of high technology. For Schiphol Amsterdam, the airport authority has developed an ambitious U.S. \$700 million expansion project. By the mid-90s Schiphol will be capable of an annual traffic throughput of up to 25 million passengers and over 1 million tonnes of cargo. Philips is helping with energy-efficient terminal lighting, new-generation non-glare apron floodlighting and many other technical aspects of this massive project. We have also been commissioned to implement the first international CIDIN (Common ICAO Data Interchange Network) node as a modernization of the existing AEROPP message switching system for the worldwide Aeronautical Fixed Telecommunications Network, AFTN.

Philips compliments the world's best airports.



For Singapore's Changi International Airport, we supplied its long-range ATC and airport surface detection radars, outdoor lighting and the public address systems in Terminal I, while the new Terminal II will be equipped with Philips technology to a combined value of some U.S. \$15 million. This includes public address, CCTV and energy-efficient lighting as well as a computerized Flight Information Display System (FIDS II) that will integrate the flow of data among the public, administration and operational areas of the terminal and display the right information, in the right format, at the right place. A Philips AEROPP system helps Singapore to play a key role as a regional AFTN node. From technical systems to professional services, Philips complements the needs of airports the world over. Philips. The sure sign of expertise worldwide.



PHILIPS

UK NEWS

Peugeot goes on double shift to boost UK output

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

PEUGEOT, the French vehicle maker, last night began double-shift working at its UK assembly plant at Ryton, Coventry for the first time in 12 years.

Peugeot is increasing output to 2,900 cars a week from a recent level of 1,100 cars a week on single-shift working and is aiming to reach full capacity at Ryton of about 2,500 cars a week by mid-1988. Any increase of more than 2,600 cars a week would require major new capital investment.

The fortunes of Peugeot Talbot, the French group's UK subsidiary, have been transformed in the past couple of years through the introduction of new models coupled with substantial improvements in productivity and quality standards.

After losing money heavily for most of the 1980s - the company had cumulative losses of £300m from 1979 to 1982 - Peugeot Talbot is expected to announce later this month a profit after interest for 1987 in excess of £10m on a turnover of more than £700m.

This will be the biggest profit

the company has ever made, and follows many years of decline in which the Ryton plant, formerly part of the Rootes group, was sold first to Chrysler in the late 1960s, and then to Peugeot of France at the end of 1978. When the US group was forced to pull out of Europe.

Mr Geoffrey Whalen, Peugeot Talbot managing director, said he expected production at the Ryton plant to virtually double to about 80,000 cars this year from 40,000 in 1987. UK output was planned to exceed 100,000 cars in 1988.

Since late last year Peugeot has been assembling two model ranges at Ryton, the 309, launched in the UK in early 1986, and the 405, which was launched in the UK in January. This year the group expects to produce about 30,000 405s for the UK market, 20,000 for export to West Germany, the Netherlands and Belgium and 30,000 309s for the UK market.

Depending on order books, the balance cost shift more heavily towards the 405 in the UK as Pe-

ugeot has some spare capacity for exporting the 309 to the UK from France.

Peugeot Talbot imports engines, transmissions and body panels from France - the company lost its UK body shop when the Linwood plant in Scotland was closed in 1981 - but is hopeful of reaching about 65 per cent local content for the 405 model by the summer. It is currently running at about 60 per cent, while the 309 is at 65 per cent.

Peugeot's UK sales have increased rapidly due to the success of new models led by the 205 supermini, launched in the UK in 1984. In the past five years it has increased its share of the UK car market from 2 per cent to 5 per cent and is aiming to achieve a market share of between 6 per cent and 6.5 per cent in 1988.

Last year was the first time Peugeot sold more than 100,000 cars in a foreign market with UK sales last year of 101,264 units and a market share of 5.08 per cent.

Urban regeneration grants win praise for overall success

BY HAZEL DUFFY

THE GOVERNMENT'S urban development grant (UDG) has been an overall success in helping to improve run-down inner-city areas, according to an independent report by Aston University in Birmingham.

The UDG, which has been scrapped in favour of new City Grants, was based on the Urban Development Action Grant used in the US to boost inner-city development. It was introduced by the Government in 1982.

Central government paid 75 per cent of the grant and local government the remainder. The grant was criticised in some government quarters for the required involvement with local authorities and the belief that central government won too little praise for the scheme. The City Grant will be paid directly to developers by central government.

Some developers criticised the grant, particularly where local authorities were slow in submitting projects to central govern-

ment. Despite these reservations, the Aston team found that the grant proved attractive to many local or regionally based developers/investors and developers/traders, while being far less attractive to the nationally-based financial institutions.

The report, commissioned by the Department of the Environment, found that the grant had had considerable success particularly in improving the environment, stimulating private investment in housing in the inner cities, and providing jobs for people living in or near such areas.

Between 1982 and June 1986, the programme generated additional investment in the ratio of about 4:1. Commercial schemes contributed most of the private sector investment - £190m - followed by industrial (£101m) and housing (£58m). In several inner-city areas, projects which have been assisted by UDG have been the only source of new, private-sector housing provision.

Farm price policy condemned

BY MAX WILKINSON, RESOURCES EDITOR

DR DAVID Clark, the opposition Labour Party spokesman for Agriculture, yesterday condemned the Government's efforts to obtain a devaluation of the "green pound" which he said would raise food prices for house-

meat - the special exchange rate which governs subsidies paid to farmers. Measured reductions are to be sought in the rate for other agricultural produce.

Mr John McGregor, the Agriculture Minister, sees these devaluations as a step towards the longer-term goal of eliminating the special agricultural exchange rates in the Community.

However, Dr Clark said the effect would be to raise prices paid to farmers and raise food prices and it represented the true cost of the Prime Minister's recent "cave in" in Brussels. He said: "It is ludicrous to agree to limit over-production by penalties and then to put up the

basic price support." The UK has been pressing for green pound devaluations from the start of this year's farm price negotiations. The precise rates - except for pigmeat - for which the UK will argue will be decided in the light of exchange rates closer to the next meeting of Agriculture Ministers in Luxembourg.

Officials point out that the gap between the green pound and the normal sterling exchange rate has been narrowing recently. For beef, the difference was 8.4 per cent on March 7, but had fallen to 3.5 per cent by this week. For pigmeat the gap was 10.3 per cent on March 7 compared with 7.5 per cent now.

NOTICE OF DEFAULT

To the Holders of

TEXAS INTERNATIONAL COMPANY
8 1/4% Convertible Subordinated Debentures Due 1996

Chemical Bank, as Trustee (the "Trustee") under the Indenture dated as of March 1, 1981 (the "Original Indenture") among Tipco Finance N.V. ("Tipco"), Texas International Company, as Guarantor (the "Company") and the Trustee under which Tipco's U.S. \$30,000,000 8 1/4% Convertible Subordinated Debentures Due 1996 (the "Securities") have been issued, which Original Indenture was supplemented by the First Supplemental Indenture dated as of June 1, 1985 (together with the Original Indenture herein called the "Indenture") pursuant to which the Company assumed the due and punctual payment of the principal of and premium, if any, and interest on the Securities, hereby gives notice pursuant to Section 5.08 of the Indenture that an Event of Default has occurred and is continuing under the Indenture. The Event of Default consists of the default in the payment of the installment of interest due and payable on the Securities on March 1, 1988, and continuance of such default for a period of 30 days.

Section 5.01 of the Indenture states in part as follows:

"If an Event of Default occurs and is continuing, then, and in each and every such case, unless the principal of all the Securities shall have already become due and payable, either the Trustee or the holders of not less than 25% in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of Securityholders pursuant to Section 8.05), by notice in writing to the Company and the Guarantor (and to the Trustee if given by holders of the Securities), may declare the principal of all the Securities to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable."

The Trustee has not as yet given the foregoing notice inasmuch as the Trustee has not yet determined whether or not such action is in the best interests of the holders of the Securities.

The Indenture provides, with certain exceptions, as follows:

"The holders of a majority in aggregate principal amount of the Securities then outstanding (or such lesser amount as shall have acted at a meeting of Securityholders pursuant to Section 8.05) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee."

Section 6.01 of the Indenture states in part as follows:

"(c) the Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Securities at the time outstanding (or such lesser amount as shall have acted at a meeting of Securityholders pursuant to Section 8.05) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture."

The holders of the Securities are referred to the Indenture, copies of which are available for examination at the Corporate Trust Office of the Trustee during normal business hours, for more information concerning the rights of the holders of the Securities, the duties and immunities of the Trustee and the rights of the holders of Senior Indebtedness of the Company.

Inquiries concerning this Notice should be directed to Mr. Thomas J. Foley, Vice President, Chemical Bank, 55 Water Street (Room 1820), New York, New York 10041, (212) 820-5158.

In order to insure receipt of any future notices the holders of the Securities may wish to file their names, addresses and principal amounts held with Chemical Bank at the above address.

Dated: April 6, 1988

CHEMICAL BANK
as Trustee

Buoyant activity predicted by FT average of forecasts

BY RALPH ATKINS

BUOYANT ACTIVITY but a decelerating rate of growth in 1988 and 1989 are predicted for the British economy in an average of economic forecasts compiled by the Financial Times and published today.

Economic growth is expected to be slower this year than in 1987 but it will remain strong. A further deceleration is expected in 1988. The trade position will worsen with the balance on the current account rising to a record £6.1bn in 1988.

The FT survey shows recent exchange rate and interest rate movements may have clouded the vision of forecasting groups. There are wide variations in forecasts for those variables - which

have knock-on effects for other indicators.

Estimates for three-month interbank interest rates vary by 3 percentage points in 1988. Forecasts for the deficit next year on the balance of payments current account vary between about £2bn and £10bn.

The division reflects uncertainty among economists about the consequences of a rapid rate of economic expansion. While some forecasting groups fear excessive consumer spending will suck in overseas goods and push up inflation, others are more confident that British industry will be able to respond adequately to increased demand.

The worries of some forecast-

ers about "overheating" have increased since last month's Budget. Several City of London economists have revised upwards their projections for consumer spending and imports in order to take account of the extra demand resulting from the larger than expected tax giveaway.

The variation between forecasting groups is shown in forecasts for the growth of export and import volumes. According to the forecasts, export volumes may grow by 2 per cent this year, or by almost 5 per cent.

The overall FT average shows exports rising by 3.3 per cent this year and by 2.5 per cent in 1988. Imports are predicted to rise by 6.9 per cent and 4.3 per cent

respectively.

Similarly, there is disagreement about the path unemployment will take. The forecasts predict both falls and rises.

The FT average suggests unemployment will remain constant at the present level of about 2.5m.

The survey sample is split evenly between City economists and groups based in universities and other research centres.

Nor has any account been taken of different assumptions underlying economic models used by forecasting groups. Some forecasts were compiled before the Budget, introducing a possible bias.

Future surveys will illustrate how economists' expectations vary as circumstances change, and how accurate the survey is as a forecaster. The wide variations between groups' predictions mean, however, that the FT average cannot pretend to represent a consensus.

After all, as the saying goes, if you placed all economists end to end they would never reach a conclusion.

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FT84

UK NEWS

RENEWED FEARS OF 'OVERHEATING'

Credit continues to rise as debt figure hits high

BY RALPH ATKINS

BRITISH consumers' appetite for credit continued unabated in February as outstanding debt rose to another record level, according to official figures published yesterday.

The Department of Trade and Industry said that outstanding consumer credit rose a seasonally-adjusted £208m to £22.6bn in February. That was about the same rate of increase as in January.

The figures cover credit agreements reached with finance houses, other specialist credit providers, building societies, retailers and on bank credit cards.

They exclude personal bank loans and lending by insurance companies, where in December the amount outstanding was £15.5bn.

New credit advanced to consumers was a record £3.6bn in February compared with £2.9bn in January. In the three months to February, the amount advanced was 2 per cent higher than in the previous three months.

Department of Trade officials believe the rate of increase in the amount outstanding may be slowing. In the three months to February the total increased by £855m. This compared with £1bn in the previous three months and was lower than any quarter in 1987.

However, the continued growth will increase the worries of some independent economists that the economy is growing too fast.

There are fears that strong consumer spending, fuelled by a

rapid expansion in consumer credit, will suck in imports and increase inflation.

In separate figures published yesterday the department has revised upwards estimates for retail sales volumes in February. The figures suggest recent buoyant high street sales growth is continuing with no signs of a slowdown.

The final seasonally-adjusted index of retail sales in February stood at 126.3 (1980=100) — an increase of 0.3 per cent on January.

In the three months to February, sales were 1.3 per cent higher than the previous three months and almost 7 per cent higher than the same period a year before.

February's credit figures show the amount outstanding on bank credit cards rose £90m to £3.64bn during the month compared with a fall of £2m in January.

Agreements with retailers decreased slightly as consumers repaid debt under deals made in the autumn.

The Mortgage Corporation, which arranges loans for house purchases, is to accept unit-linked endowment policies with managed funds when assigning mortgage loans, writes David Barclay.

The change brings the company into line with its rivals. The large building societies already accept unit-linked endowment policies for their mortgages.

New and existing unit-linked policies will be accepted, but the policy must have a minimum 10-year term.

Eurotunnel meters its progress

BY ANDREW TAYLOR

THE MACHINES digging the Channel tunnel have progressed 1,200 metres which leaves about another 45km to go, according to the latest progress report from Eurotunnel, the privately owned Anglo-French group building the tunnel.

Eurotunnel, which last November completed its funding arrangements with a £700m international share issue, yesterday published preliminary unaudited results for the year ending December 31 1987.

At this stage progress is being measured in metres rather than pounds and pence with the first fare-paying passengers not due to use the tunnel until May 1993.

Three tunnels are proposed: two will carry traffic and there will also be a central service tunnel. So far about 1,200 metres of the service tunnel have been dug on the British side. This includes 400 metres of an earlier Channel Tunnel attempt, abandoned by the Labour Government in 1975.

The start of tunnelling on the French side, according to Eurotunnel, has been delayed by the failure of a French company commissioned to supply some of the five tunnel boring machines needed for the French operation.

The machines have since been re-ordered from Japanese and US suppliers.

Figures published yesterday by Eurotunnel show that total costs since the company was incorporated in 1985 had risen to \$442m by the end of last year. This included £128m to meet the cost



Digging deep: monitoring the drilling

of raising £50m in loans, standby credits and equity.

According to Eurotunnel contracts worth around £260m had been placed with suppliers and sub-contractors by the beginning of last month. Approaching 90 per cent of orders on the British side had been placed with British companies and between 80 and 70 per cent with French companies on the French side.

The proportion of orders placed with French companies would have been higher but for the failure of the French tunnel-boring machine supplier. Six tunnel-boring machines worth around £25m have been ordered for the UK side: four from James Howden in

Glasgow and two from Markham & Co, a British subsidiary of Robbins, the US engineering group.

Other large orders include a £2m aggregate contract for Foster Yeoman in Scotland, a £3.3m order for construction locomotives placed with Hunslet of Leeds and a £2.5m order for spoil-disposal conveyors placed with Anderson Strathclyde of Glasgow.

According to Eurotunnel, more than 14,500 separate orders have so far been placed by the tunnel's contractors. The preliminary accounts show the group spent £26m last year acquiring land for the project under the terms of the concession granted by the British

and French governments. Another £57m was spent on corporate costs including wages and office overheads.

Eurotunnel says all costs and revenues have been capitalised either by transfer from the profit and loss account or by being charged directly to fixed assets leaving no balance to be carried forward against future profits.

Total equity raised by Eurotunnel by the end of last year was £1,053m of which about £782m was held in cash and investments at the year end. The directors do not intend to recommend a dividend during construction. The figures serve to show how much has still to be done.

WORLD BANKING

The Financial Times proposes to publish this survey on:

18th May 1988

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The Board met on March 25, 1988, under the Chairmanship of Mr. François Grappotte, to approve the financial statements for 1987. Consolidated financial statements (in FF million)

	1987	1986	%
Sales	4,936	4,557	+8.3
Net income (Group Interest)	458	328	+40
% of sales	9.3%	7.2%	
Funds provided from operations (cash flow)	743	600	+24
% of sales	15%	13%	

Given this satisfactory performance, the Board has decided to propose a 12% dividend increase to the Annual General Meeting, due to be held in Limoges in June 13, 1988. I.e. FF 38 per ordinary share and FF 60.80 per preferred share, in view of the interim dividend declared on February 1, the balance, I.e. FF 21 per ordinary share and FF 33.80 per preferred share, will be made payable as from July 1, 1988.

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UK NEWS

Labour's deputy leader garners union backing

BY JOHN HUNT

SUPPORTERS of Mr Roy Hattersley in his bid to retain the deputy leadership of the Labour Party last night declared that their campaign was "looking healthy and looking good" after declarations of support from trades union leaders over the Easter weekend.

They were particularly happy at the number of unions which will have a ballot of their members or take soundings of opinion among the rank and file.

They believe that this will favour Mr Hattersley, the present deputy leader, against his two contenders, Mr John Prescott, the party's energy spokesman, and Mr Eric Heffer, the leftwing MP.

It is conceded in Mr Hattersley's camp that his contest against two contenders will be much tougher than the leadership battle that Mr Neil Kinnock faces against Mr Tony Benn, the leftwing MP.

Those unions which are expected to ballot include the Amalgamated Union of Engineering Workers, the National Union of General Municipal, Boilermakers and Allied Trade Unions, the National Union of Public Employees and the Union of Communication Workers.

The unions carry 40 per cent of the vote in the electoral col-

lege, the constituency parties 30 per cent and the parliamentary party 30 per cent. The Transport and General Workers, the union with the most votes in that category, has not yet decided its position, although Mr Ron Todd, its general secretary, has pledged his support for the Kinnock/Hattersley ticket.

The Hattersley analysis is that last week's entry of Mr Prescott in the race gave the campaign more bite and gained the new contender considerable publicity. But the Hattersley workers feel the initiative is now back with them.

However, this is denied by Mr Prescott, who has so far publicly reserved the backing of his own group, the National Union of Seamen. He said last night that he was quite happy for the unions to ballot their members and believed that this would favour him as much as Mr Hattersley.

"It will be a six month haul," he said. "I am happy at the way our case is being presented and consider we should get a very comfortable result."

Meanwhile, Mr Benn will make his most hard-hitting speech of the campaign tonight when he is expected to attack what he terms the "authoritarian" style of the Labour leadership.

Eric Short looks at the Government's Do-It-Yourself approach to pension schemes

Retirement in a brave new world

FROM TODAY employees will no longer be required to belong to their employer's company pension scheme as a condition of employment. Membership will be voluntary.

This is one of a number of radical changes in the Government's brave new pensions world brought about by the 1986 Social Security Act which comes into effect today. The Government has two underlying objectives behind these changes:

- The well-publicised policy of giving people wider choice in their pension arrangements.
- To reduce the role of the state in pension provision.

The second objective is achieved by sharply reducing the benefits provided by the state earnings-related pension scheme (Serps).

The Government had intended to phase out Serps. However, following widespread opposition, it confined itself to reforming the benefits, presumably with the intention that, after other changes, so few employees would remain in Serps that it could be wound up later. All employees qualify for the basic state pension scheme.

The ending of compulsory membership of company schemes means that employees have the

final decision in their pension arrangements above the basic state pension and their wider choice offers three options:

- Serps.
- Company pension scheme.
- Personal arrangements.

An employee who does not exercise a choice is, by default, in Serps. However, these choices are not mutually exclusive. An employee can combine all three choices if desired.

The act introduces the new personal pension, which employees can use to make their own pension arrangements outside the company scheme and outside of or on top of Serps.

Indeed, almost all attention on the changes has been focused on the introduction of personal pensions for employees, though this is just one important aspect.

However, because of the delay in the implementation of the Financial Services Act, the new style personal pensions will not be available until July 1. But employees will be able to back-date contributions to the beginning of the tax year.

The danger facing the Government in achieving its objective of reducing state involvement is that employees will be in Serps simply through inertia.

So, a "stick-and-carrot" approach has been adopted by the Government - the stick of reduced Serps benefits and the carrot of a 2 per cent incentive payment until 1993 for contracting-out of Serps, having not previously been in a contracted-out scheme for two or more years.

Employees opting to remain in the company pension scheme are not debarred from making some extra pension arrangements on a personalised basis through free-standing additional voluntary contribution schemes, the forerunner of the changes having been available since last October.

Employees can now contract-out of Serps on a money purchase basis, in addition to the previous salary-related basis. The Government hoped this would encourage the establishment of industry-wide schemes. While employees have the right to opt out of a company scheme, they have no right to re-entry. Neither have employers any obligation to contribute to an employee's personal pension other than the legal minimum required to contract-out of Serps.

These factors are left entirely to the discretion of employers. All indications are that employers generally are taking a hard line towards employees who intend to leave the pension

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207 145	Am. Intl. Ind. CUSLS	299nd	0	10.0	5.1	-
41 25	Amalgamated Int. Finance	29	0	-	-	-
142 60	BSR Design group (USM)	52	-1	2.1	3.9	8.3
189 108	Barton Group	158	0	2.7	1.7	27.0
186 95	Bray Technologies	138	0	4.7	3.4	11.0
281 130	CCI Group Ordinary	258	-2	11.5	4.5	6.6
147 99	CCI Group 1 1/2 Cum. Pref.	130	0	15.1	11.5	-
171 130	Carbidebond Ordinary	130	0	5.4	4.1	11.3
104 91	Carbidebond 7.5% Pref.	103	-1	10.3	10.0	-
215 87	George Blair	215	0	3.7	1.7	6.0
143 60	Idis Group	67	0	-	-	-
104 59	Jackson Group	88	-1	3.4	3.9	9.7
780 300	Milkhouse NV (USM)	330	0	10.4	3.2	13.1
91 43	Robert Jenkins	41	0	5.5	4.4	2.4
124 50	Spartan	126nd	0	5.5	4.4	31.5
224 67	Torday & Carlisle	198	0	6.6	3.3	9.6
71 32	Trevelyan Holdings (USM)	65	0	2.7	4.2	7.0
248 190	W.S. Yates	248	0	16.6	6.2	51.5

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BY ORDER OF THE BOARD
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GROUP SECRETARY
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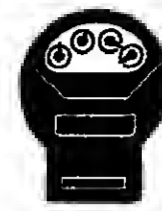
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TECHNOLOGY

Time to dump the old Ferraris

Clive Cookson concludes this series by examining electricity's march towards advanced electronics



Sangamo Metering, a UK subsidiary of the multinational Schlumberger group, led the world with the introduction of electronic household meters. Sales have been limited only by production capacity at the company's £10m factory in Felkstone (left), and Sangamo is believed to have overtaken the other three companies selling household electricity meters in Britain.

BRITAIN is leading the world in introducing an entirely new electronic type of meter to measure households' electricity consumption. The new meters, in which the traditional spinning aluminium disc is replaced by electronic circuitry, are already installed in 200,000 homes throughout the country.

Statistics from the Department of Trade and Industry show that UK manufacturers sell about 2m electricity meters per year. Their value is rising fast, from \$46m in 1985 to \$55m in 1986 and \$72m in 1987, and this trend will be maintained as long as the electricity boards continue to invest in sophisticated new electronic meters.

There are no reliable statistics for the world meter market. But George Brower, managing director of Polymeters Response, a new electronic meter manufacturer, says that his market research shows that worldwide sales of solid-state meters could exceed \$450m a year in the 1990s. A recent report from the Japanese Ministry of International Trade and Industry gives a similar figure.

Electricity utilities around the world are beginning to install electronic meters in factories and cities but it is only in Britain that they have been put into large numbers of homes.

Electricity is easier to meter electronically than gas or water and manufacturers have developed several alternative methods for doing so with integrated circuits. These measure the voltage and current of the incoming electricity supply, multiply the readings together to give the power, and then integrate the power consumption over time to show the amount of electrical energy used.

Such electronic devices offer several advantages over the traditional electromechanical meter, known as the Ferraris disc meter, which has dominated electricity measurement for 100 years. Their microprocessors give utilities the opportunity to introduce more complicated multi-rate tariffs which relate the price paid by the consumer more closely to the cost of generating electricity.

And electronic meters are more easily linked to communications networks for the purposes of load management and automatic re-reading.

Electronic meters are already cheaper to manufacture than

electromechanical meters if they are designed to measure consumption according to two or more tariffs. Although the most simple type of domestic meter, the "single-phase single-tariff meter" is still slightly more expensive in electronic form, most people in the industry say it will soon become cheaper.

Indeed the UK electricity boards are willing to pay a slight premium for electronic meters because they are far harder to defraud than traditional meters. Meter fraud is a serious though little publicised problem. The London Electricity Board officially estimates that customers who fiddle their meters defraud it of \$5m a year, or five per cent of total revenue. But many LEB staff believe that the actual loss is considerably greater.

Most people cheat by interfering with the meter's rotating al-

mechanical meters have done 65 years or more. It would be a brave man who would say that electronic meters will last as long.

The company that has led the world in the introduction of electronic household meters is Sangamo Metering, a UK subsidiary of the multinational Schlumberger group. Its first thousand electronic meters were installed in East Midlands homes at the end of 1984. Since then Sangamo has sold about 200,000 electronic meters to the UK electricity boards, either as simple meters or as prepayment "budget meters" (see article below).

Schlumberger chose the UK as its test bed for developing and manufacturing electronic meters. The company built a \$10m automated meter factory in Felkstone, Suffolk, and it is now spending \$1.5m a year on research and development there.

Charles Bow, marketing manager at Sangamo Metering, says sales of electronic meters are limited only by the factory's production capacity. In the UK market Sangamo is believed to have overtaken the other three companies selling household electricity meters.

The three competitors have undoubtedly received a jolt from Sangamo's success and are scrambling to develop their own electronic meters. They are:

● GEC Meters, based in Stone, Staffordshire - the largest UK manufacturer. It is very strong in industrial as well as household electricity meters and has a large export business.

● Landis & Gyr, based in Acton, West London - UK subsidiary of the Swiss Landis & Gyr Group, the largest worldwide manufacturer of electricity metering equipment. Its export trade from the UK to Commonwealth countries is substantial though not as large as GEC's.

● FMI, based in Oldham, Greater Manchester - formerly Ferranti Measurements, Siemens of West Germany bought 50 per cent of the company in 1976 and FMI became a wholly owned subsidiary of Siemens in 1985.

Until then it was clearly the weakest of the four UK meter manufacturers, but Siemens has recently invested a lot of money to improve FMI's product line and manufacturing plant, and turnover increased sharply from \$7.8m in 1985 to £17.2m in 1987. FMI and Sangamo have

greater manufacturing flexibility than GEC and Landis & Gyr because they do not export large numbers of traditional Ferraris disc meters. With the help of large investments by their multinational parent groups, FMI and Sangamo have been able to concentrate on developing electronic meters in the UK.

Tim Sheppard, managing director of FMI, says his company will be launching electronic two-rate meters later this year. Unlike Sangamo, FMI will not sell electronic meters on their own. Each meter will be combined with a time switch or radio teleswitch in a single unit. As Sheppard points out, any two-rate meter must have a means of switching between tariffs, traditionally the time switch is a separate unit but modern electronics make it simpler to integrate the meter and switch.

The switch to electronics will make it easier for new suppliers to break into the market

Richard Harpum, managing director of GEC Meters, and Gerry Cooper, his opposite number at Landis & Gyr, say their export customers, which are mainly in Asia, the Middle East and Africa, will continue to want simple and reliable Ferraris disc meters for many years to come. "They are not ready to accept electronic meters," Harpum says. "They already have a product which is cheap and lasts for more than 40 years."

So GEC and Landis & Gyr are continuing to improve their Ferraris disc meters and cut manufacturing costs, while at the same time developing a new range of electronic meters. Neither company is likely to have an electronic household meter in production before next year.

By moving to electronic meters, the electricity supply industry will make it easier for new manufacturers to enter the market. Setting up an electronics plant requires less investment than making electromechanical meters, which depend on very

expensive and precise production engineering.

Several companies are keen to break into the market for household electricity meters. In the UK, Polymeters Response seems to be the most ambitious new entrant. Its first product, called the Calm (standing for Credit And Load Management Unit), has just received legal approval for industrial tariff metering, and the company hopes that a domestic version of its meter will be approved by the end of this year.

The Calm has an interesting history. It originated in a project sponsored by the Electricity Council to investigate automatic meter reading and load management in the early 1980s. After a successful field trial of three hundred prototype units, John Fielden, the electronic design engineer who had done the main design work, set up his own company Polymeters to commercialise the Calm.

Last month Polymeters merged with another small industrial metering company, Response, and the new group will launch the Calm next month. It forecasts annual sales of \$2m to \$10m within three years.

Meanwhile, the Electricity Council continues to pursue the project independently, working with Mullard, a UK subsidiary of the Philips electronics group. Their latest product, called the Econ (for Energy Management Unit), will be tested in 700 homes later this year.

Colin Richardson, who is in charge of the project at Mullard, says the company will continue to develop computerised metering equipment - which would fit in well with Philips' work on the "smart houses" of the future - but it has not decided when to enter the commercial market.

Richardson warns that there will not be as much room in the electricity meter market as some people think.

"I believe there's only room for five companies to supply domestic meters in Britain." He predicts that several newcomers will soon join the four established manufacturers - and some time after that there will be a shake-up.

On March 29 this series examined advances being made in water and gas meter designs. The implementation of remote monitoring devices was covered on March 22.

UK locks out the cash raiders

THE UK electricity boards are replacing the country's 1.5m coin-in-the-slot meters with cashless prepayment meters. Over the last three years they have installed about 200,000 new meters, which accept electronic tokens instead of 50p or £1 coins, and coin meters are likely to have disappeared entirely by the mid-1990s.

The boards started their replacement programme mainly because coin meters are so prone to theft. Research by the Home Office Crime Prevention Unit shows that on low-income housing estates, where coin meters are concentrated, half of all burglaries involve breaking into the meter's cash box.

All four UK meter manufacturers make cashless prepayment meters, which charge for the electricity as it is consumed, and at the same time collect any debt owed to the board at a fixed weekly rate. (The boards now offer prepayment meters to customers who do not pay their bills on time, as an alternative to dis-

connection.) There is also an emergency credit button which allows the consumer an additional \$5 worth of electricity if he runs out of tokens.

Two different types of electronically encoded token are in use: the card and the key. The first card system was introduced by Landis & Gyr; it used the same optical encoding technique as the company's highly successful Cardphone but did not prove popular with the electricity boards. Rival card systems made by GEC, FMI and Sangamo, which use magnetic encoding, have been more successful.

Consumers buy the cards in \$1 units from electricity board showrooms and offices or from vending machines. When they are inserted into the meter they become demagnetised and are thrown away.

The key system developed by Sangamo and adopted by the London Electricity Board is more advanced. Unlike the throw-away cards, the permanent key carries information between the meter

and the electricity board. It has a small memory chip embedded in a key-shaped plastic shaft, which transfers credit to the customer's meter.

When the customer takes the key to the vending machine to be recharged, it carries back the latest meter reading, which is transferred to the electricity board computer. The board can also use the key to change tariffs automatically on the meter or to change the rate at which it collects debts. This two-way communications facility means that electricity board staff have to make fewer visits to read or adjust meters.

But Sangamo's competitors are developing even more sophisticated systems. Next year GEC will test a prepayment meter based on the company's "smart card" - a credit card sized microcomputer. This works without the surface electrical contacts which can make other electronic tokens unreliable. The GEC card will transfer credit and other information if it is simply held up against the meter.

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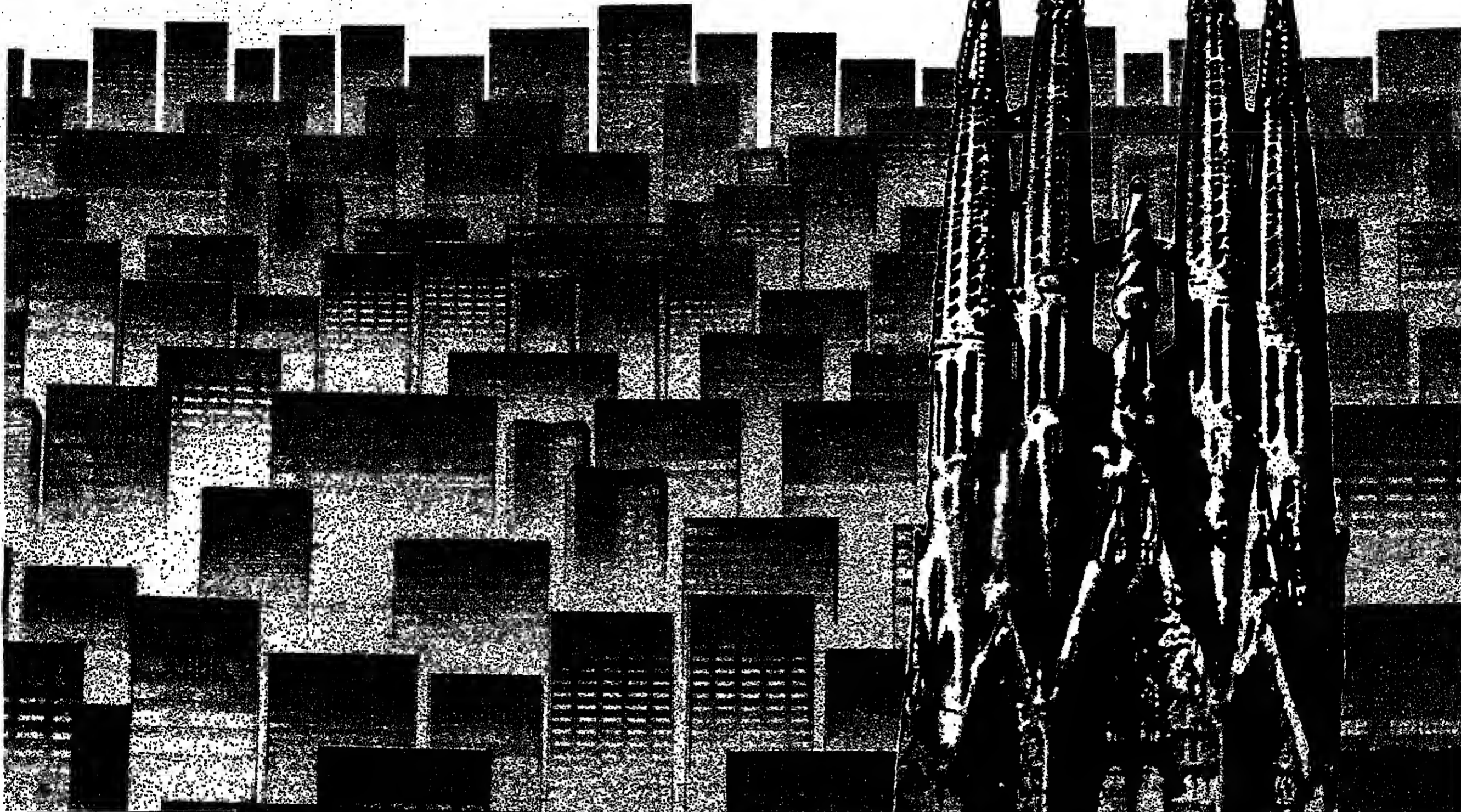
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ARTS

Television/Christopher Dunkley

The writer who went out into the cold

Whatever became of John Hopkins? The question arises at the beginning of Easter week during a pleasant evening initiated by Christopher Bland, former deputy chairman of the IBA and now chairman of LWT Holdings. Why not, he had said, have some dinner where the subject of discussion was not - as usual - the dreariness of so much television, but rather the excellence of certain programmes. Somebody could kick off the evening with one or two clips from whatever they admired most, backed up by a few explanatory words of enthusiasm. ... and how about the FT's television critic for the first dinner?



Ken Russell: an ABC of passions, prejudices and pejoratives

programme should, surely, give some pause to Channel 4, which is now planning a television trial of Kurt Waldheim. There was nothing trivial about *The Trial of Sir Roger Hollis* it was a perfectly acceptable formula for bringing to television a piece of journalism which, in any other form, would probably have bored most viewers to tears, lasting, as it did, three hours. The courtroom scenario is a peculiarly potent one.

'It is one thing for television to mount imitation trials when the case is beyond the real courts, and quite another when the case could still be taken to law'

Card's *Smiley's People* six years ago, it began to make a sort of sense. Somebody had presumably decided that if a man capable of such high quality on his own was happy to adapt to *Le Carré* he might as well do his own spy story, hence *Kodjaneva Cyril*.

ABC which, predictably enough, turned out to be a dotty mixture of passions, prejudices and pejoratives that was, above all, highly entertaining. As ever Russell championed the rights of women to be considered seriously as artists and performers while refusing to suppress the fact that he finds their bodies extremely attractive. It is a combination of attitudes which strikes me as perfectly sensible but which seems to infuriate just about everybody else in the modern world.

THANKS to glasses and the financial support of the Zürich-based Soviet Bank for Foreign Trade, Western audiences hungry for all things Soviet can now see the first full scale exhibition - a retrospective covering a quarter of a century - of the long neglected painter, a well-known figure of the "unofficial", or underground, Moscow art world, Bulatov earns his living illustrating botany books since he has been banned from showing his work for almost thirty years.

Ernest Beck
"Unanimous" - one of Bulatov's most recent works

Ernest Beck
Bulatov has also not forsaken the images of sky, sea, snow, and trees so prevalent in traditional Russian painting. Yet he has transformed them into travel agency posters, static exaggerations of idealised situations. In "Mark of Quality" (1986), he has taken a common symbol - and placed it against a serene blue sky. Floating against hazy mountains, the symbol defines the illusion of space and light, and seen against the perfectly handcrafted, limitless sky,

Women's Works/Liverpool

Susan Moore



Little Foot-Page, by Eleanor Brickdale

AT LAST, a non-manipulative view of women's art. Organisers of previous exhibitions on this theme have scored museums to select images appropriate to their politics. Jane Sellers has attempted an analysis of the subject matter, patronage and success of women artists by examining three Merseyside collections: the Walker, a major museum which also served as an exhibition forum for the annual Liverpool Autumn Exhibition 1971 to 1988 and for the Biennial John Moores Liverpool Exhibition held since 1987, and the Lady Lever and Sudley art galleries, originally private collections amassed in the late 19th century.

New museums such as the Walker proved influential and important purchasers of contemporary academic art in the late 19th century, and its main exhibition gallery is hung with a series of imposing early acquisitions. A predilection for female subjects - whether allegory or history or domestic anecdotes - soon becomes apparent as one progresses from Sophie Anderson's 'Tennysonian heroine, "Elinor" and the Academy gold medalist, Louisa Starr's "Sistrum" - a knight charged by his mother to protect the weak and repress the woman. But the idol of Louise Jopling's fastidious bourgeois housewife - and Emma Laura Knight's delightful suburban vision - gives way to Prunella Clough's very different kind of kitchen-dink realism in the 1890s.

revealing still are her statistics. In the first Liverpool Autumn Exhibition of 1971 only 10 per cent of exhibitors were women; in the entry for the first John Moores exhibition nearly a century later in 1983, and after the battles for equality in art education had apparently been won, the proportion was, if anything, slightly less. I can only agree wholeheartedly with the 1957 John Moores prize winner Sheila Fell: "Artists are either good or bad, that is all there is to it."

Philharmonia/Festival Hall

David Murray

The conductor of Monday's Philharmonia concert was Francesco D'Avallo, a dignified and unassuming figure about whom little is known other than that of the evening than, at the beginning, that may be exactly what he would prefer; but it was odd to realise that one could not begin to guess what he might make of other music than the particular repertoire pieces he had just conducted.

music would have been surprised to learn that it had anything to do with an opera. Accompanying Felix Schmidt in the Haydn C major Cello Concerto, D'Avallo was faithful, and self-effacing, while young Schmidt gave an excellent account of himself, showing tone, a rich tang in the tone (he is lucky in his Strad), unfailing musicianship and energy. Musically this Haydn is hardly demanding; it takes a seasoned performer like Rostropovich to play with it. It is not clear why he should be playing from offstage.

Pulitzer collection at the Fogg Museum

One of America's greatest collections of Modern Art, the Pulitzer Collection, will open at the Fogg Art Museum, Harvard University, from April 16 to June 12.

'Cardus on music...'

CARDUS ON MUSIC: A CENTENARY COLLECTION edited by Donald Wright. Hamish Hamilton, pp 326, £16.95. You would have to search wide to find writing of Neville Cardus's quality in newspapers...

Arts Guide

April 1-7

Theatre

LONDON

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as Sir Sydney Bisset, a museum curator and friend of Sir John (Ben) McAnalby and a remarkable abbot (Rosemary Hantz), (487 3888, CC 494 8280).

in an industrial city in the 1890s, trying to improve their lot but doomed by his own failings. (221 1211).

NEW YORK

Person (882 8768). August Wilson lit a house-rum, his year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family

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Mr Wright's selection is very serviceable, though biased strongly toward the symphonic repertoire. (And he abridges constantly without stating an editorial policy.) The first section, "Cardus the Musician," is pure delight. Cardus on Berlioz is impressively defensive. He quickly got the point of both Bruckner and Mahler, though initially doubtful. He is predictably marvellous on Beethoven, and can claim credit for being one of the first to spot Reginald Goodall's Wagnerian gift. He was not dazzled by Karajan (who "worries me as an interpreter; he tends to endow all composers with the same sound"). In all, it is a rich bouquet of unyielding opinions, a vindication of the critic as celebrant. And it contains one splendidly Mancunian misprint: "I ave [sic] seen Beecham's baton fly from his grip high into the orchestral empyrean." That is surely the voice of Cardus.

Paul Driver

JAPAN'S STEEL INDUSTRY, which a year ago seemed to be headed down the same dreary path to financial and operational decay as most of its European and US counterparts, is making an unexpected, spectacular recovery.

Ian Rodger examines how the Japanese steel industry has engineered a remarkable return to profit

Forging the future out of depression

More important, they are now confident that despite the high yen and high Japanese labour costs they can regain their competitiveness with South Korea and other new low cost producers and hold it at least until the end of the century.

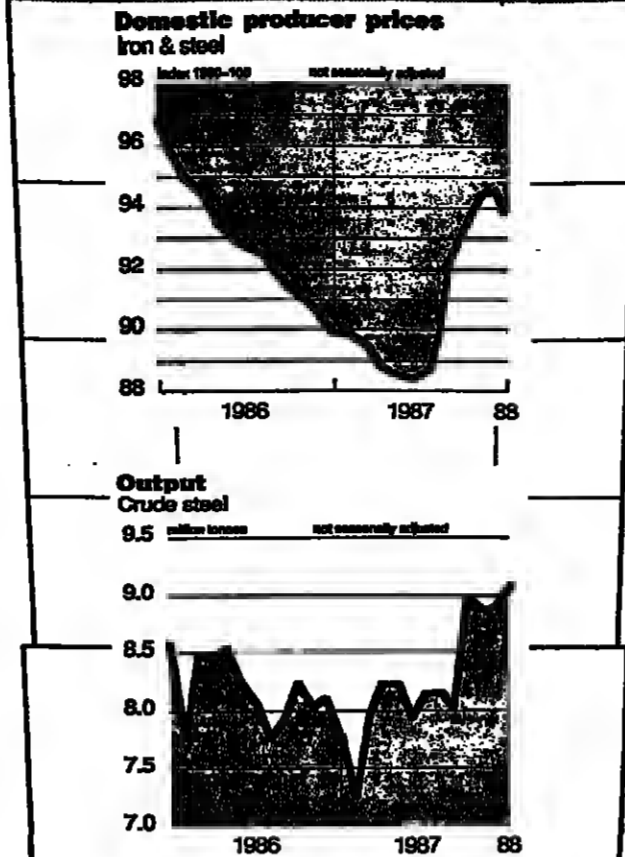
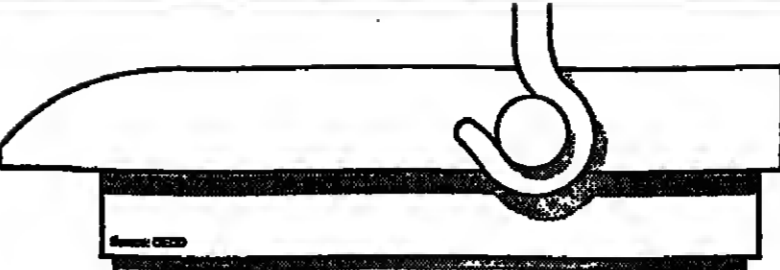
The financial recovery has come about much more quickly than anyone expected, thanks to the buoyancy of the Japanese and world steel markets. Domestic prices on some products, especially construction steel, have doubled in the past year.

capacity of the five integrated producers will be cut by a fifth, to 67m tonnes, by 1990 and their combined workforce will tumble by a third to about 125,000.

Typically also, the Japanese have a long term goal in mind. They know that competitiveness is no longer a guarantee of success in the unstable world steel industry, so they are pushing ahead with ambitious diversification programmes.

agreed. "We are too simple in our thinking for that. We are not like property dealers." He recalled that a year ago many analysts thought that the rationalisation programme would prove inadequate and that another round of capacity cuts would have to be made in the early 1990s.

"I agree with that study entirely," says Mr Hirotsugu Mizuno, general manager of operations planning and control at Nippon Kokan. "Our target is to be competitive in all products."



technology products."

Not surprisingly, the Japanese producers are now focusing a good part of their substantial research and development efforts on maintaining their edge in high technology products, such as coated sheet, electrical steels, corrosion resistant pipe and high tensile plate.

ambitions in steel. They know that the era of rapid growth in the domestic market is over. The Japanese shipbuilding industry has declined and Japanese car and machinery makers are shifting production to overseas plants.

A shop closed more tightly

From Mr John Paul. Sir, I read with some astonishment the Prime Minister's allegedly describes the television industry's "closed shop" as "the last bastion of trades union restrictive practice."

Low cost shipping supports more jobs

From Mr K.D. Shillito. Sir, As Mr. McQuillan (Letters, March 24) points out, low cost shipping, wherever built or flagged, is supportive of far more export dependent jobs in the EC than the 90,000 victims of European shipbuilding's decline.

Letters to the Editor

Treasury forecasts may be too optimistic

From Mrs Bridget Rosewell. In the winter and spring of 1987 the consensus view was that the deficit compiled by the UK Treasury showed an output forecast of 2.7 per cent (various measures) and a balance of payments deficit of £3.1bn.

Spokesmen entitled to a fair hearing

From Mr Chris Jones. Sir, Your editorial on the Rover bid (March 30) states that "Labour's front bench spokesmen...and themselves taking up the cudgels on behalf of the taxpayers. Not unreasonably, in view of Labour's record to date in the car group in the 1970s, this falls in conviction."

Quantum is as quantum does...

From Mr John Shippier. Sir, Christopher Dunkley graphically returns George Steiner from the excited orbit of "intellectual colossus" to the unexcited orbit of "ordinary mortals" (Television column, March 23).

There could be a single point-of-sale terminal accepting all cards

From Mr Jürgen Assmüller. Sir, Having been away on a business trip, I was not earlier able to respond to your article on cross-European use of payment cards (March 7). Although the article was generally well-informed, the references to American Express betrayed a misunderstanding of our position towards the European banks' accord.

Exchange rate policy

Britain does best outside the EMS

By Alan Walters

IN RECENT articles, Samuel Brittan has made many claims about the European Monetary System, European inflation rates, unemployment, and the economic costs of Mrs Thatcher. In his article of March 10, Mr Brittan reiterates his claim that Mrs Thatcher's reluctance to join the exchange rate mechanism of the EMS will increase the probabilities of higher inflation and unemployment. This must be among the most absurd claims ever made in the FT.

In his article of March 24, producing a chart of the EMS currencies, Mr Brittan claims that the EMS has "had a great deal of success in narrowing inflation differentials." And he goes on to examine the reduction in inflation to France and Italy. Oddly enough, he does not comment on the fact that his own graph shows that the UK has had as large a drop in inflation as Italy, and much larger than France and Germany.

I do not thereby conclude that this proves that the EMS is poison. Britain's renaissance and Germany and French doldrums are clearly due partly, perhaps largely, to other causes. As I have explained elsewhere, the compelling argument against any pseudo fixed exchange rate system is that, because of the enormous funds sloshing around the world capital markets, such rates cannot be held either by feasible amounts of intervention or acceptable monetary and fiscal policies.

exchange rate stability? There was certainly an increase in stability within the EMS currencies. But the stability within the EMS was outweighed by the increased instability of EMS countries with respect to non-EMS exchange rates, mainly the dollar, yen and sterling. The total variability of EMS currencies was about the same as that of non-EMS currencies. Thus the lower intra-EMS variance was achieved only at the expense of higher variation with the outside currencies.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday April 6 1988

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Royal Bank to regroup investment activities

By Alexander Nicol in London ROYAL BANK OF Canada is to combine its London investment banking activities with those of Dominion Securities, the Canadian securities firm, in a move which will mean the end of the activities of Orion Royal Bank.

The former consortium bank, of which Royal assumed control in 1981, had already drastically reduced its business after the merger with the Eurobond market last year. The new operation will replace it as the international investment banking arm of the Royal group.

After completion last Thursday of Royal's C\$489m (US\$132m) acquisition of 75 per cent of Dominion Securities, the two are to form RBC Dominion Securities in Toronto. The international activities of this grouping are to be run from London by a subsidiary to be named RBC Dominion Securities International.

It will group about 250 people, of whom about 60 will come from Dominion Securities. It will also incorporate Kitco & Aikman's London stockbroking subsidiary. No front-office jobs are expected to be lost.

Campeau's victory makes Wall Street \$250m richer

BY JAMES BUCHAN IN NEW YORK

WALL STREET is poised to enjoy one of its greatest bonanzas as investment bankers and merger lawyers share out up to \$250m for their work in the furious 10-week battle for control of North America's greatest department store group, Federated Department Stores.

"If we're paying \$200m to \$250m in fees, I say it's reasonable," said an ebullient Mr Robert Campeau, chairman of the Campeau property and retailing group, who wore down Federated's opposition and the rival R.H. Macy of New York to clinch victory - and the right to pick up Wall Street's tab.

The fluid and incendiary Mr Campeau, who at 63 has reached the pinnacle of North American big-store retailing, appeared grinning yesterday before a crowded press conference to explain the audacious \$6.8bn transaction he clinched last Thursday night through a side deal with Macy's.

The battle, which has already involved seven investment banks, six law firms, commercial bankers and hundreds of accountants and printers, could generate yet more business for Wall Street as Campeau shuttles Federated's assets to finance the offer, which will ultimately cost Campeau some \$2.5bn, including Federated's current debt.

For the moment, the chief beneficiary is First Boston, the Wall Street house which has been under a cloud for two months since the defection of its star investment banker, Mr Bruce Wasserstein and Mr Joe Perella. First Boston, which advised Campeau and arranged a bridging loan of more than \$1bn to expedite the deal, could earn more than \$50m and a welcome boost to morale.

Mr Wasserstein, who made the final presentation of Campeau's offer to Federated's board and seems to have borne the brunt of Mr Campeau's mood, is expected to pick up about \$10m for his new firm, Wasserstein Perella. Campeau will also pay fees of around \$100m to five other Wall Street firms, including all the best names, which advised Federated and Macy's.

Mr Campeau admitted yesterday that the \$72.50 a share offer, which is double Federated's price at the beginning of the year, is "high by traditional standards." But he said the deal could be financed by a wholesale disposal of stores, bank finance and mortgages.

He said that he would raise \$4.4bn by selling stores, including two big Californian chains, to Macy's. This will cut Federated's 15 divisions down to no more than six and leave the new Federated with \$1.4bn in equity and \$5bn in debt.

Of that debt, \$300m is already on Federated's books and the remainder can be raised through commercial banks, and will be partly refinanced by the sale of mortgages on the properties of \$1.7bn.

Mr Campeau said that Federated's total interest bill will be \$290m to \$300m a year out of gross cash flow of \$675m to \$700m a year by the end of this year. "This company we just bought is going to yield us \$375m to \$400m a year and that's before savings," Mr Campeau said.

CalMat in move to block offer by Brierley

By Roderick Oram in New York CALMAT, a California building materials group, has put its cement and property divisions up for sale to try to thwart a \$40 a share, \$1.2bn takeover offer from Brierley Investments, the main corporate vehicle of Sir Ron Brierley, the New Zealand entrepreneur.

The company, which estimates the businesses are worth at least \$200m, said it would use the after-tax proceeds either to repurchase some of its shares or pay a special dividend to shareholders. It has 20.5m common shares outstanding.

Mr A.F. Gerstall, CalMat's president, said: "This represents a major step in the plan for enhancement of shareholder values that we announced last September." The company adopted a poison pill defence plan at the same time.

Brierley already owns a 19.2 per cent stake in CalMat. CalMat's shares rose \$1 1/2 to \$44 1/2 in early trading yesterday, reflecting analysts' estimates that the company is worth at least \$45 a share before asset disposal.

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Mr James Schmidt, an analyst with Westcountry Financial, a California securities firm, expressed some scepticism that CalMat will raise \$300m from the sales.

He believes its cement operations might be worth about \$450m unless a foreign buyer is willing to pay more to break into the large California construction market.

Canadian group poised for London Stock Exchange listing

Mardon crosses the Atlantic

BY MAGGIE URRY IN LONDON

FOR A CANADIAN-quoted company, Lawson Mardon is already well-known in Britain. The company, which was formed by a buy-out from BAT Industries, the UK tobacco, paper, retail and financial services group, has about 70 per cent of its business based in Europe, mostly in the UK.

So it is surprising, perhaps, that Lawson Mardon shares have so far not been listed in London - a situation which will be corrected tomorrow when the company's shares begin trading on the London Stock Exchange.

Already about 4.5m of Lawson Mardon's 1m "A" shares are held in the UK, largely by institutions but also by employees who took a stake in the group when it was bought out from its parent. The listing will offer investors greater liquidity as well as raising Lawson Mardon's profile with bankers - an important consideration since it is planning a commercial paper programme.

However, potential UK investors may not have realised how far Lawson Mardon has come since it completed its leveraged buy-out in August 1985. Then it had one prime aim - to repay the bulk of its heavy debt.

The buy-out of Mardon Packaging and Lawson & Jones, respectively the UK and Canadian packaging arms of BAT, was then the largest seen in the UK, with total cash raised of C\$650m (US\$450m). Only C\$42m represented equity, the remainder being various layers of debt.

That original aim has now been achieved. A combination of divestments of non-core businesses raised C\$100m, tighter control of working capital released C\$50m, and last June - two years ahead of the group's schedule - the company was floated in Canada raising a further C\$27m net of expenses.

By the end of 1987 debt had been reduced to C\$210m, a level where the group feels happy to begin expanding. No further money is being raised through the London listing and Mr Ralph Steedman, chief financial officer, says the group can comfortably service its remaining debt.



Lawrence Tapp: Back in acquisition phase

don will take "a real shot" at winning a big slice of it.

The logic of the Reliance acquisition thus becomes evident. Lawson Mardon will take the paint can and the aerosol from its UK base into the North American market. By the end of 1988, Mr Tapp says, the paint can will be in volume production in North America.

This cross-pollination of technology, and the transfer of know-how into the acquired businesses, is one of the mainstays of Lawson Mardon's growth.

Those parts of the business in more mature markets, such as cartons and label printing, earn their keep by generating cash flow to finance the rest.

Mr Tapp also wants to even up the balance of the business from its current 70:30 Europe:North America split, partly as a currency hedge. However, he would not rule out further acquisitions in Europe, clearly more purchases in North America are the aim.

Lower margins in the North American businesses are being brought up to the European level, after some restructuring and sales of more prosaic businesses. He is keen to maintain the group's dependence on consumer products, rather than strike off in any new directions, since they should be more resilient to any economic downturn. Mr Tapp reckons that 53 per cent of its business is with the food industry, 12 per cent beverages, 9 per cent tobacco and the rest to other consumer products.

The group aims to increase earnings per share by 15 per cent a year.

At a current share price of C\$14, which compares with the C\$16 at which the company was floated last year before the stock market fall, the prospective p/e is about 8, a discount to the sector average in the UK and Canada.

The shares of a Canadian-based company with the bulk of its business in the UK may have difficulty finding a natural place in a fund manager's portfolio. A UK listing might make the difference.

CSX profits fall sharply to \$65m in first quarter

By Our Financial Staff

CSX, the US rail and resources group whose results traditionally herald another US quarterlies season, posted a sharp fall in first-quarter net earnings from \$85m or 55 cents a share to \$65m or 40 cents.

It attributed the decline mainly to lower property-related and energy operating income, which more than offset strong transportation results. Total revenues rose to \$2.1bn from \$1.9bn.

Transport revenues and expenses rose on the strength in the domestic economy.

De Benedetti acts against Olivetti board rumours

BY ALAN FRIEDMAN IN MILAN

MR CARLO De Benedetti, the Italian businessman, is expected to review his position as group managing director of Olivetti, the Italian data processing equipment maker which he also chairs, over the next few months.

However, he is firmly countering speculation that he has any imminent plans to give up his operational responsibilities of the company.

Aides to Mr De Benedetti yesterday poured cold water on rumours in the Italian press of an impending departure. These have developed in the light of Olivetti's involvement in a possible alliance between the Stat state

telecommunications group and American Telephone & Telegraph (AT&T), the US telecoms group which is Olivetti's biggest shareholder.

Mr De Benedetti's quest for control of Societa Generale de Belgique has also fuelled talk about his ability to maintain his present commitment to Olivetti.

March 31, 1988

This announcement appears as a matter of record only.



VOLKSWAGEN AKTIENGESELLSCHAFT

Wolfsburg, Federal Republic of Germany International Placement of 4,800,000 Ordinary Bearer Shares

of DM 50.- nominal Value each Offering Price DM 238.- per Share

- Dresdner Bank, Deutsche Bank, Commerzbank, DG Bank, Norddeutsche Landesbank, etc.

This announcement appears as a matter of record only.

January, 1988



U.S. \$ 20,000,000 Clothing Export Finance Facility

- Provided by BRED-Banque Régionale d'Escompte et de Dépôts, Paris, Banco de Bilbao S.A., etc.



INTERNATIONAL COMPANIES AND FINANCE

Andrew Whitley looks at an Israeli company expected to reveal a \$100m loss for 1987

Gaon faced with daunting task at Koor

THE APPOINTMENT of Mr Benny Gaon as managing director of Koor Industries, in succession to Mr Yeshayahu Gavish, brings to Israel's pre-eminent industrial post a businessman with broad international experience. But, on its own, the move is unlikely to solve the deep-rooted problems besetting an economic giant with an annual turnover in the order of \$2.34bn.

Mr Benny Gaon, who succeeds Mr Yeshayahu Gavish as Koor's managing director, steps up from running the Co-Op chain of supermarkets, one of the more profitable divisions of Koor's parent organisation

time has been exceptionally heavy. According to Mr Jack Friedgut, a financial adviser to the company, generous redundancy pay-

ments accounted for between \$30m and \$40m of last year's anticipated loss. A reduction of 1,700 employees over the past 18 months means that it has cost Koor's shareholders - the 1.5m Israelis who are automatically members of the Histadrut - about \$23,000 (equivalent to two years' gross wages for the average Israeli) for each redundancy achieved.

But what infuriated Mr Gavish more than anything else was the refusal of Mr Yisrael Kessar, the Histadrut's veteran secretary general, to back him rather than Koor's workers when fierce opposition was encountered to the management's attempts to sell off or close loss-making subsidiaries.

The proposed sale of a glass and bottle-making factory was blocked, as was an attempt to place a large subsidiary, the troubled Alliance Tyre and Rubber Company, under the protection of a court-appointed receiver. The rescue plan was launched, not one of the group's 300-plus subsidiaries has been sold.

Koor grumbles that it is a victim of government policies, nota-

ly in respect of price controls and the near-freezing of the shekel exchange rate against the US dollar. But only 28 per cent of 1986 turnover came from exports, and by no means all was denominated in dollars. As for price controls, these have been steadily reduced over the past 18 months, and now affect only a quarter of goods and services.

Perhaps greater pain has resulted from an excessive dependence on local defence orders, cut sharply over the past two years. Two of its most important subsidiaries - Soltam, the arms maker, and Tadiran, the defence and consumer electronics manufacturer - contributed heavily to last year's losses. Despite a huge new order this week from the US Army for its mortars and shells, Soltam remains in deep trouble.

The Koor grievances are only partially justified as a quick comparison with the privately-owned Clal group, operating in many similar areas, reveals. By staying out of the clutches of either the Government or the Histadrut, cash-rich Clal has remained profitable through all Israel's recent economic vicissitudes.

Decline in UAE insurer's earnings

ABU DHABI National Insurance Company (Adnic), the United Arab Emirates' largest insurer, has declared profits of Dh101.8m (\$27.5m) for 1987, a drop of 5 per cent, writes Angela Dixon in Abu Dhabi. The decline was largely attributable to a setback in the fire and accident division, where profits dropped by Dh7.3m to Dh23.8m.

There was a 1 per cent dip in total premiums written to Dh325.8m - premiums in the fire and accident category dropped 11 per cent to Dh151.4m while those written for marine and aviation rose 15 per cent to Dh144.3m.

Adnic is paying a 40 per cent dividend amounting to Dh90m.

Jusco 5.9% ahead and holds dividend

JUSCO, the Japanese supermarket chain, lifted pre-tax profits 5.9 per cent to ¥25,137m (\$202.4m) in its year to February 29 and expects a 4.7 per cent gain to ¥26,370m this year, Our Financial Staff writes.

Net earnings per share were down at ¥41.96 against ¥43.97 as more equity was issued, but the dividend is held at ¥19.

Bond International reaches HK\$320m

BOND CORPORATION International, the Hong Kong arm of Mr Alan Bond's empire, made 1987 net profits of HK\$318.8m (US\$41m), compared with a HK\$39.4m loss in its start-up nine months, Our Financial Staff writes.

The sale of a half-share in the Bond Centre property development contributed HK\$128m.

Tedex consolidates return to profits

TEDLEX, the South African distributor of electrical goods, consolidated its return to profits in the six months to February and has promised to resume dividends at the end of this financial year, writes Jim Jones in Johannesburg.

Turnover advanced to R183m (\$86.6m) from R165m and the interim pre-tax profit rose to R14m from R9.8m.

Reduced net result for Malaysian casino group

BY WONG SUI LONG IN KUALA LUMPUR

GENTING, the Malaysian casino company, reveals flat pre-tax profits of 173m ringgit (US\$67.7m) for last year on turnover down 2 per cent at 402m ringgit. Profit after tax and minorities fell 11 per cent to 80.8m ringgit. Genting said, however, that the results were not comparable with those of 1986 because of the non-inclusion of Genting International (GIL), which was hired out as a separate company from January last year. Genting now has a 14.8 per cent stake in GIL, which operates casinos in Australia and the Bahamas, and which plans to gain a listing on the Hong Kong Stock Exchange.

GIL profits fell 32 per cent to A\$12.7m (US\$8.4m) last year. Genting did not disclose sectoral earnings, but the results indicate that earnings from the casino operations remain healthy, although there was a sharp drop in income from interest and investments. Asiatic Development, Genting's 77 per cent-owned plantation subsidiary, lifted net profits 82 per

Hindustan Lever lifts pre-tax profits by 17%

By R.C. Murray in Bombay

PROFITS OF Hindustan Lever, an Indian offshoot of the Anglo-Dutch Unilever, rose 17 per cent pre-tax to Rs782.9m (\$68.7m) last year, on sales which were 11 per cent higher at Rs7,955m.

Net profits were up 19 per cent to Rs488m, partly because of a reduced tax rate. A dividend of 25 per cent is proposed on capital (doubled by a scrip issue). Dr A.S. Ganguly, chairman, says the use of newer raw materials and improvements in efficiency have enabled the development of cost-effective products. Hindustan Lever manufactures soaps and detergents, agri-chemicals and fertilisers. The company has just developed a quality toilet soap which requires a lower fat content, as one result of a stepped-up research programme. It is also undertaking research in tissue culture to improve strains of cardamom plants and drought-resistant seeds for use in dry farming. Many Indian companies were hit last year by the effects of widespread drought.

IFC plans overseas fund to finance Indian industry

By JOHN ELLIOTT IN NEW DELHI

PLANS to enable foreign institutions to play a bigger role financing industrial developments in India are being drawn up by the International Finance Corporation, part of the World Bank.

The IFC is also considering helping to finance major capital projects such as petrochemical plants and power stations, and has started providing risk capital for smaller ventures. This was announced by Sir William Rye, vice-president of the IFC, at the end of a week's tour of India. He wants to boost IFC business in India, which last year totalled \$100m in equity and loans. The IFC has been asked by US financial institutions to underwrite and help organise an investment fund, probably of \$100m, to finance Indian industrial companies. The Indian Government has not yet given approval but has suggested that the IFC, which operates similar funds in countries such as South Korea, Thailand and Brazil, should explore the market.

NOTICE TO WARRANT HOLDERS OF NIPPON CHEMI-CON CORPORATION (the "Company") U.S. \$50,000,000 2 7/8 per cent Guaranteed Notes (the "Notes") due 1991 with Warrants (the "Warrants") to subscribe for shares of common stock of the Company

BankAmerica Corporation U.S. \$400,000,000 Floating Rate Subordinated Capital Notes Due 1997

REPUBLIC OF COLOMBIA Floating Rate Series A Due 1994

HALIFAX BUILDING SOCIETY £150,000,000 Floating Rate Loan Notes Due 1996 (Series A)

News Group Chicago, Inc. a subsidiary of The News Corporation Limited has sold its News America Syndicate Division to The Hearst Corporation

News America Publishing Incorporated a subsidiary of The News Corporation Limited has sold the NEW YORK POST to Kalikow Media Incorporated

News Limited a subsidiary of The News Corporation Limited has acquired The Herald and Weekly Times Limited

News Publishers Limited a subsidiary of The News Corporation Limited has acquired The South China Morning Post, Limited

News America Holdings Incorporated a subsidiary of The News Corporation Limited has acquired Harper & Row Publishers, Inc.

News International PLC a subsidiary of The News Corporation Limited has acquired a 50% interest in Circle K U.K., Ltd.

ALLEN & COMPANY INCORPORATED

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December 1987

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Consob demands more openness

BY JOHN WYLES IN ROME
CONSOB, the Italian stock exchange's regulatory body, has issued fresh recommendations to listed companies, calling for fuller explanations of decisions on mergers, capital issues and corporate reorganisations.

from the Ferruzzi-Montedison affair of early February when the market fell heavily on news of the reorganisation plans announced by Mr Raul Gardini, the Ferruzzi chairman.

Then, Consob and its chairman, Mr Franco Figa, were accused of reacting too slowly in defence of the interests of minority shareholders. Three days were needed after an initial announcement to the press to secure supplementary information from Ferruzzi of the kind now specified by Consob.

Typically, investors who redeem their bonds are entitled to a premium equal to the interest charge they previously passed over for the conversion right.

Accountant warns on convertible bonds

BY RICHARD WATERS
COMPANIES which issued convertible bonds shortly before last October's stock market crash may need to set up provisions as a result of the fall in their share prices, Arthur Young, the accountants, has warned.

For Burton, which issued bonds last August, the cost could be 25.9m (\$13m) a year, or 4 per cent of its latest reported pre-tax profits. Others affected are Asahi-MFL, where a 25.6m annual charge would take 3 per cent off profits, and Lombo, whose \$5.5m charge would reduce profits by 2

per cent. The convertibles were priced to encourage investors to convert, rather than redeem the bonds on maturity, generally in either 1992 or 1993, said Mr Steve Parkinson of Arthur Young.

But the fall in share prices makes it more likely that investors will opt to redeem the bonds, since the market price on the conversion date could be below the conversion price.

Banks jockey for share of Chinese loan

INTERNATIONAL BANKS are jockeying for a role in the forthcoming US\$200m Bank of China loan, the first of a series of borrowings for the Daya Bay nuclear power plant 45km from Hong Kong, Reuters reports from Hong Kong.

Bank of China are already tight enough," said another foreign banker. "But some crazy bankers will probably push the interest margins even lower."

Bankers said the conventional and Japanese tax-spared tranches could possibly be squeezed by a few basis points, but that would make the loan difficult to syndicate. There are rumours that one Japanese bank is willing to go for a five basis point spread over Libor on the tax-spared tranche.

Techniques used in arriving at valuations. They should also make clear shareholding structure changes. Again, where capital and debt issues are concerned, the pricing criteria should be revealed, as well as details of consortia which are formed to guarantee the underwriting of new issues.

CBOE calls for changes to rules on margins

BY DEBORAH HARGREAVES IN CHICAGO
THE CHICAGO Board Options Exchange has proposed sweeping changes to its margin rules in an effort to make its margins more responsive to current market volatility.

Under the new proposal, margin percentages for options would be determined by reviewing price movements over the preceding six-month period. This would result in an initial increase to a 30 per cent margin for equity options - a change from 15 per cent and 15 per cent for index options.

The exchange stresses its proposals reflect comments solicited from its brokerage community. The CBOE was hard hit by huge losses among several of its clearing members during the stock market crash and has since made a concerted effort to boost users' confidence in its market.

Three Japanese borrowers in equity warrant issues

BY DOMINIQUE JACKSON
THE START of the new fiscal year in Japan prompted three borrowers to issue equity warrant bonds yesterday, providing the only focus of activity in an otherwise lacklustre Eurobond market.

Both issues were setting good demand and by the end of the day the four-year deal was at a premium of 3.5 points to issue price and the five-year at a 4.5 point premium.

The Swiss market also reopened to slow trading, but prices managed to edge 25 basis points higher on average in the secondary market.

INTERNATIONAL BONDS

Yamaichi International brought Nihon Kohden Corporation, a maker of medical electronic equipment, to the market with a smaller \$50m deal on exactly the same terms.

Two new Canadian dollar issues were also launched yesterday. The first, for a Canada Trust Mortgage, was a C\$150m 10 1/2 per cent deal 1993 and priced at 10 1/2, led by McLeod Young and Weir International.

Two issues traded for the first time. A SF\$200m, 12-year, 4 1/2 per cent issue for Ireland fell to 97 1/4, in line with other issues of similar maturity, compared with its 100 1/4 issue price. A SF\$200m, five-year bond with a 4 1/4 per cent coupon for the Leeds Permanent Building Society traded at 99 1/4, 1 1/4 points below issue price.

The four equity warrant deals were the first to emerge from the pipeline of similar issues for Japanese borrowers which are expected to be launched during April.

Two issues traded for the first time. A SF\$200m, 12-year, 4 1/2 per cent issue for Ireland fell to 97 1/4, in line with other issues of similar maturity, compared with its 100 1/4 issue price.

The notes mature in April 1993 and the interest rate payable will be 20 basis points over London interbank offered rate.

Von Roll holds payout despite decline

BY JOHN WICKES IN ZURICH
VON ROLL, the Swiss steelworks improving by 31 per cent after cash-flow to foundry/pipes and the plant/machinery divisions. Poor export prices led to cuts in production by the group's two Swiss steelworks, however.

"Substantial" profits were booked by New Jersey Steel, the US mini-steelworks subsidiary which expanded its capacity.

Earnings also improved in the foundry/pipes and the plant/machinery divisions. Poor export prices led to cuts in production by the group's two Swiss steelworks, however.

FT INTERNATIONAL BOND SERVICE

Table with multiple columns: Bond Name, Issued, Maturity, Bid, Offer, Change, Yield, etc. Includes sections for US DOLLAR, ARGENTINA DEBT, SWISS FRANK, and other international bonds.

Argentina debt swaps likely to total \$117m

BY OUR BUSINESS ALIEN CORRESPONDENT
OVERSEAS DEBTS with a face value of \$117m will be converted at an average discount of 54 per cent under Argentina's second debt/equity swap round, banking sources say.

Bankers said the Government will approve 15 projects proposed under debt swap bids submitted by companies and their banking partners. The total cost of the projects involved is \$140m. Twenty bids representing projects at a total value of \$220m were put forward.

Several bids rejected in the first round went through this time, including a \$22.7m soft drink bottling plant proposed by Coca-Cola, valued at more than \$2m in debt. The biggest offer is a \$38m brewery plant backed by the Rio Parana Company and Chase Manhattan Bank to convert \$24m in debt at a 32 per cent discount.

Wessanen near Campina deal

BY OUR FINANCIAL STAFF
WESSANEN, the Dutch foods group, is in the final stages of talks aimed at selling Belgian unit to Campina, the dairy company. The transaction would also include Vacoa, Wessanen's Dutch sales organisation.

WELCOME TO A WORLD BUILT FOR THE FUTURE...


Table with 2 columns: (FR million) and values. Rows include Net income (2,008 vs 2,360), Capital Expenditures (5,075 vs 4,991), Research - Development (2,954 vs 3,517), Acquisitions (4,915 vs 4,666).


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UK COMPANY NEWS

STV starts its diversification

BY RAYMOND SNOODY

Scottish Television has made its first acquisition outside the television industry with the purchase of Pauline Hyde & Associates, the re-employment consulting services, in a deal that could be worth £8.5m.

The acquisition is part of a diversification strategy at STV, the independent contractor for central Scotland.

Sir Campbell Fraser, chairman, said yesterday: "It has never been our intention to run away from television but we have made it clear over a number of years that we feel one third of our profits should arise from activities other than television."

PHA's business is "outplacement" - providing a specialist service to major companies on "career transition programmes."

This can mean trying to cope with the effects of redundancies and last year PHA won the contract to provide outplacement counselling in the wake of the closure of the Caterpillar plant in Scotland.

But PHA's work is just as likely to involve the casualties of personal chemistry and internal politics in organisations or as Mrs Pauline Hyde, PHA chief executive terms it "the new managing director syndrome."

Last year PHA, which is about to open an Australian office, charged companies 15 per cent of a director's salary plus a fee of £80. It says that 76 per cent of those counselled were able to

continue their careers in an average time of 17 weeks.

Since 1978 PHA has been built from a one person non-profit making company designed to help the 40 plus executive to an organisation with an annual turnover of £2.5m and adjusted pre-tax profits of £480,000 in 1987.

STV will make an initial payment of £2.6m, made up of £850,000 cash and the balance in shares for all of the equity. Further payments up to a maximum of £3.9m will be linked to profits levels between now and the end of 1989.

Mr Alan Montgomery, finance director of STV, said further acquisitions in related areas of executive recruitment, market research and public relations were possibilities.

Mr John Sanderson, broadcasting analyst at stockbrokers County Securities, a company that has recently used outplacement counsellors to advise staff who lost their jobs because of the stock market crash, said yesterday: "If you accept their strategy (of diversification) then this looks a good buy."

STV, which later this month is expected to announce 1987 profits of £10m, up from £8.07m, has also recently announced plans for expansion in films and television.

Last month it set up a feature film making arm and has formed a California-based programme development company, MAC-III Productions.

Anglo Utd. swap plan with B&H approved

By Nikki Teb

The complex asset swap scheme between Anglo United, open-cast coal-mining and fuel distribution company, and troubled coal-mining and property company Burnett & Balmain, was approved at extraordinary meetings of B&H's shareholders yesterday.

Under the deal, Anglo will acquire Rushcliffe, B&H's solid fuel distribution subsidiary, and Seaham Harbour Dock.

B&H will take on Anglo's UK coal business, Coal Contractors. As part of the net consideration, Anglo will also end up with a 31 per cent interest in the reshaped B&H.

Yesterday's approval coincided with news of the £2.87m purchase by Anglo of the Balderton Group.

This is a privately-owned solid fuel distributor, based in Wrexham. In the year to end-October, it made pre-tax profits of £206,000 on sales of £12.4m, and had net assets of around £284,000.

The purchase price will be met by £1.8m cash plus new shares worth £1m. Of the new shares, 25 per cent will be issued at 40p, and the remainder - £750,000-worth - at the middle market price on the first day of dealing following the reshaping of Anglo shares.

Shares in both Anglo and B&H have been suspended ahead of the sale and purchases of their respective subsidiaries.

PWS acquires aviation reinsurance broker

BY NICK BUNKER

PWS Holdings, the medium-sized Lloyd's insurance broking group, plans to make its second acquisition of this year by buying the HA Group, a London aviation reinsurance broker, for up to £3.5m.

Total cost of the deal could be another £2.5m higher however, because PWS plans to repay HA's outstanding debts.

The acquisition is also expected to reduce PWS's profits in the second half of this year, the group said.

PWS shares closed unchanged last night at 176p. The group said the acquisition would strengthen

what it called its already broadly-based operations and allow it to give its clients better service.

The deal comes at a time when aviation insurance and reinsurance brokers, including the HA Group, are under heavy pressure from a steep fall in premium rates and from the weakness of the dollar, the main currency for international aviation insurance transactions.

PWS believed it was buying at the right time because underlying expansion in the world's air traffic would be reflected in aviation insurance business available in future.

It plans to pay an initial £3.5m for HA made up of cash and 100,000 new shares, plus an extra £450,000 if HA meets a target post-tax profit of £450,000 for the year ended March 31 1988.

In 1986-87, HA made pre-tax profits of £692,000 and earnings of £281,000, down from £1.03m and £583,000 respectively the previous year.

HA operates in London via a subsidiary, Harrington Austin. Aviation reinsurance makes up 86 per cent of its business; the remainder is mainly non-marine reinsurance.

Pegasus soars to £863,000 in first half

Pegasus Group, which specialises in the supply of business microcomputer software and supplies, has seen pre-tax profits surge to £863,000 in the half year ended January 31 1988.

Following rationalisation, which led to the sale of all 15 British Business Centres and closure of Micro Systems (Distributors), turnover of this USM-quoted group in the period fell to £3.40m (55.52m) but the operating profit increased to £849,000 (£338,000).

Pre-tax profit compared with £299,000 last year and with £584,000 in 1986.

Earnings per share grew from 2.1p to 10.5p and the interim dividend is up to 2.25p (0.75p).

Technology Project rises 30%

BY CLARE PEARSON

Technology Project Services, engineering and technical staffing contractor, lifted pre-tax profits by 30 per cent to £1.12m in the year to December on turnover increased to £9.48m (77.85m).

Earnings per share advanced to 15.3p, a 34 per cent rise on 1986.

Mr Richard Avery, chairman, said the search for acquisition targets, particularly in the United Kingdom, would be a priority in the coming year.

Revenue growth last year came mostly from Continental clients, who contributed £4.4m to turnover, a 45 per cent increase.

The UK's contribution was virtually static at £5.1m. This partly reflected lower demand for staff for defence projects following cuts in the UK defence spend.

The bulk of the company's UK business is presently defence-related.

Its other main markets are the telecommunications, aerospace, electronics, and oil industries.

The company claims it is the Western European market leader in supplying engineers with first degree qualifications and above on a contract basis. Acquisition targets might be companies specialising in supplying lower level engineering personnel or catering for a specific sector, such as the nuclear industry.

Last year, it looked at a string of possible acquisitions and turned them all down but said lower price ratios this year make purchases more likely.

Technology Projects, which was floated on the Stock

Exchange in May 1986, has very low fixed costs, employing only 21 people. But it spent some £400,000 on new computer and telephone systems, and a move to larger premises in London last year.

The tax charge for the year was £394,000 (£218,000). The proposed final dividend of 2.66p makes a total of 4p for the year (2p).

Victualic

Victualic, the pipeline products company which will shortly join the stock market, yesterday announced a 20 per cent rise in pre-tax profits to £5.5m in the year to December 31, 1987.

The company was the subject of a management buy-out from British Steel in 1983.

County Props. will give up listing if bid succeeds

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

County Properties, controlled by the Guthrie family, will give up its Stock Exchange listing if a bid by Broadland Properties, a private company also controlled by the Guthrie family, is successful.

The merger is supported by shareholders of 71.7 per cent of the voting rights, but it needs 90 per cent to be approved.

The offer by Broadland, which owns Hever Castle in Kent, was pitched 44 per cent over the middle market price prevailing before Easter of County "B" shares.

The County shares, in which there is only a small market, yesterday were marked up to 201p, close to the bid price, before closing at 195p for a gain of 53p.

Broadland is offering 205p cash for each County "B" share and 10p cash for each County preference share. The price excludes the 2.5p dividend, payable today, on the "B" shares and 5.6p net to be paid on the preference shares.

The existing stake of Broadland in County is 47.8 per cent both for the "B" shares and the preference shares. Mr John Guthrie and Mr John Malcolm Guthrie are directors and shareholders of both County and Broadland. Their County shares are included in undertakings to accept the Broadland offer bringing total acceptances so far to 84.5 per cent of the preference shares and 69.1 per cent of the "B" shares.

Telfos buys 5.1% stake in Baldwin

By Clare Pearson

Telfos Holdings, the metals and metal spraying company, has bought a 5.01 per cent stake in Baldwin, the Nottingham-based property, clay and concrete products and engineering concern.

Mr John Beugnot, Telfos' finance director, said it was highly unlikely the holding would lead to a full bid for Baldwin.

Telfos regularly makes investments of this size, he said.

Baldwin's market value was £8.7m at yesterday's closing price of 120p, unchanged on the day.


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THE SICK CHILDREN'S TRUST

Two employees from the Financial Times will be running the London, Paris and New York marathons this year to raise money for The Sick Children's Trust.

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- ★ net assets up 41 per cent to £25.4m - equivalent to 352p per share ex-dividend - compared with a 4 per cent rise in the FT All Share Index and a fall of 7 per cent in the Investment Trust Index.
- ★ Record pre-tax profits up 35 per cent to £1.2m.
- ★ Several highly successful listings and sales of Candover sponsored buy-outs.
- ★ Investment in 13 MBOs during the year including four totalling over £500m under the Electrica Candover Direct Investment Plan.
- ★ Joint venture network underway for buy-outs in West Germany, France, Holland and Italy.

The Annual Report and Accounts will be published on April 11 and will be available on request from the company secretary, Tele: 01-683 5090.

The Annual General Meeting will be held at 12 noon on May 11 at the Howard Hotel, London, WC2

CANDOVER INVESTMENTS plc
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UK COMPANY NEWS

Monotype up 41% to near £5m

BY VANESSA HOULDER

Monotype, the USM-quoted manufacturer of laser-based typesetting systems, increased pre-tax profits for 1987 by 41 per cent from £3.45m to £4.85m.

The company has obtained planning permission for a 15-acre industrial site, part of 140 acres it owns at Redhill in Surrey's greenbelt.

The directors will be recommending a final dividend of 5.5p per ordinary share making a total for the year of 5.3p.

comment For a company that has been twice rescued from collapse in the past 10 years, Monotype's performance is indeed impressive.

The company highlighted digital data communication as a source of future growth. It has made three acquisitions: Intertec, Commandercom and Easydata in this area in the past fifteen months.

Monopolies to probe Gang - Nail acquisition

By Clay Harris

The Monopolies and Mergers Commission is to investigate the acquisition of Gang-Nail Systems by Mitek Industries, a 48 per cent subsidiary of Bowater Industries.

Beaverbrook auction for 5% of TV-am

BY RAYMOND SMOODY

MERCHANT BANK Henry Ansbacher is conducting an auction of 5 per cent of the shares of TV-am, the commercial breakfast television station.

MMEC coming to USM with £25m tag

By Fiona Thompson

Merchant Manufacturing Estate Company, property investment and development group, is joining the USM.

Allied London purchases Midlands builder

BY ANDREW HILL

Allied London Properties, is doubling the size of its house-building operation with the £28m cash acquisition of Cooper Developments (Midlands).

Lichfield, Staffordshire. The vendors have bought certain assets not needed by Allied from GDM for £1.1m, reducing the effective cost of the deal to about £27m.

The acquisition will complement Allied's existing house-building subsidiary, Sterling Homes, and Mr Geoffrey Leigh, chairman, said he hoped to expand that operation.

GDM is currently developing six residential sites in the Midlands and has a land bank sufficient for at least three years.

Directors buy stricken Rotaprint from receiver

BY ANDREW HILL

TWO DIRECTORS of Rotaprint, the manufacturer of printing equipment which went into receivership in February, have bought the business from the receivers.

Ensign Trust raises stake in Cranbrook

By Philip Coggan

Ensign Trust, the investment trust controlled by the Merchant Navy Officers' Pension fund, is increasing its stake in USM-quoted Cranbrook Electronics Holdings from 10.4 per cent to 27.4 per cent.

Americans lift Crescent holding

BY RAYMOND SMOODY

The American concert party which is pushing for a unification scheme at Crescent Japan, the £118m investment trust managed by Edinburgh Fund Managers, yesterday announced it had nudged up its shareholding in the trust to 20.1 per cent.

Gencor General Mining Union Corporation Limited

(Incorporated in the Republic of South Africa) (Registration No. 01/01232/0/8)

Highlights from the 1987 Chairman's Review

MARKET DEVELOPMENTS During 1987 our rand income per US dollar of sales dropped to R2.04 on average as compared to R2.28 in 1986. For goods sold at US dollar prices - the norm for our exports - this represented a reduction of some 10 per cent in rand income.

9269101UA THE BIG PROFESSIONALS IN VEHICLE LEASING Quality is Reflected in our Service. BIRMINGHAM 021 707 0480 LONDON 01 863 0744 HUDDERSFIELD 0484 518614

COMPANY NEWS IN BRIEF

ABBOTT MEAD Vickers has issued 147,218 ordinary shares as a dividend to vendors of McBain Noel-Johnson. AFRICAN LAKES Corporation (general trading, mining and agriculture) reports a turnover of £299,461 for year ended September 30 1987.

DIVIDENDS ANNOUNCED

Table with columns: Company Name, Current payment, Date of payment, Corresponding div, Total for year, Total last year. Includes African Lakes, Bunzl, Globe & Phoenix, etc.

BOARD MEETINGS

Table with columns: Company Name, Date, Agenda items. Includes Aberdeen, City of London, etc.

SEK AB Svensk Exportkredit (Swedish Export Credit Corporation) U.S. \$150,000,000 Floating Rate Notes due 1990

Notice to Lombard Depositors. The following interest rates will apply from 6th April 1988. 14 DAYS NOTICE. When the balance is £5,000 and above: 8-250% PA, 6-332% PA, 8-443% PA.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer but nervous

THE EXPECTED rush by Japanese institutions to sell dollars at the start of their financial year...

Bank of England but short term investors were a little wary of being caught wrong footed. Consequently the improvement tended to be a gradual process...

Even the dollar was seen as a better short term bet, after recent speculation that inflation fears could drive interest rates firmer.

The US unit finished at DM1.6660, having dipped below DM1.6500 in New York on Monday. There was no sign of any central bank intervention.

JAPANESE YEN-TRADING ranges against the dollar in 1987/88 is 158.45 to 121.35. February average 129.17. Exchange rate index 244.5 against 217.9 six months ago.

The dollar improved from its New York close as traders covered short positions, in Tokyo. Investors were unsure about the dollar's short term trend and were waiting for major financial centres to re-open after the Easter break.

The dollar closed at DM1.6690 up from DM1.6560 and ¥125.10 compared with ¥124.10. Elsewhere it rose to SFr1.3760 from SFr1.3625, FF5.6600 from FF5.6125.

STERLING improved against the D-Mark, despite losing ground against the dollar. It broke through DM2.1300 in relatively subdued trading.

Dealers reported no intervention by the Bank of England but short term investors were a little wary of being caught wrong footed.

FINANCIAL FUTURES

Trading remains very quiet

STERLING DENOMINATED instruments opened weaker on the Life market yesterday, following the direction of US Treasury bond futures after stronger than expected US employment data for March, released last Friday.

June long term gilt futures opened at 122-31, and traded within a narrow range of 122-27 to 123-07, before closing at 123-01, compared with 123-07 last Thursday.

Turnover was low, after the Easter holiday weekend. The market generally lacked direction, but eventually moved on to a firmer note as sterling rose to its highest level for over 1 1/2 years against the D-Mark.

A recovery by the dollar from the lows touched against the D-Mark and yen, in New York on Monday, provided a slight improvement in sentiment surrounding the bond contract.

Three-month sterling deposit futures showed little movement, as cash rates held steady on the London money market, and there appeared to be fading prospects of an early change in UK bank base rates.

June short sterling deposits opened at 91.38, and closed at 91.37, against 91.39 on Thursday, after trading within a range of 91.26 to 91.42.

US Treasury bond futures opened sharply lower on Life, in reaction to moves in Chicago on Monday. June bonds started trading at 89-10. This was the low of the day, and although the contract showed a slight recovery, touching a peak of 89-16, it closed little changed from the opening at 89-11, compared with 90-01 on Thursday.

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EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Unit, Rate, % Change, % Change for 1987, % Change for 1988.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Term, Rate, % Change, % Change for 1987, % Change for 1988.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Term, Rate, % Change, % Change for 1987, % Change for 1988.

EURO-CURRENCY INTEREST RATES

Table with columns: Currency, Term, Rate, % Change, % Change for 1987, % Change for 1988.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate, % Change, % Change for 1987, % Change for 1988.

5 IN NEW YORK

Table with columns: Item, Rate, % Change, % Change for 1987, % Change for 1988.

STERLING INDEX

Table with columns: Index, Rate, % Change, % Change for 1987, % Change for 1988.

CURRENCY RATES

Table with columns: Currency, Rate, % Change, % Change for 1987, % Change for 1988.

CURRENCY MOVEMENTS

Table with columns: Currency, Rate, % Change, % Change for 1987, % Change for 1988.

OTHER CURRENCIES

Table with columns: Currency, Rate, % Change, % Change for 1987, % Change for 1988.

MONEY MARKETS

Little change

THERE WAS little change in interest rates on the London money market yesterday. Trading was quiet and there was no move to push rates down, in spite of the other evidence by selling against the D-Mark.

Three-month interbank was unchanged at 8 1/4 p.c. as dealers waited for further evidence of the attitude of the authorities on the performance of the pound and the level of interest rates.

Dealers noted comment in the press over the weekend about a continuing rift between the Prime Minister and Chancellor

FT LONDON INTERBANK FIXING

Table with columns: Term, Rate, % Change, % Change for 1987, % Change for 1988.

MONEY RATES

Table with columns: Term, Rate, % Change, % Change for 1987, % Change for 1988.

LONDON MONEY RATES

Table with columns: Term, Rate, % Change, % Change for 1987, % Change for 1988.

Treasury bills: one-month 8 1/4 p.c. per cent, three months 8 p.c. per cent, six months 7 3/4 p.c. per cent, one year 7 1/2 p.c. per cent.

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EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, May 88, Jun 88, Jul 88, Aug 88, Sep 88, Oct 88, Nov 88, Dec 88. Lists various options contracts and their prices.

BASE LENDING RATES

Table listing base lending rates for various banks and currencies, including AIB Bank, Citibank, and others.

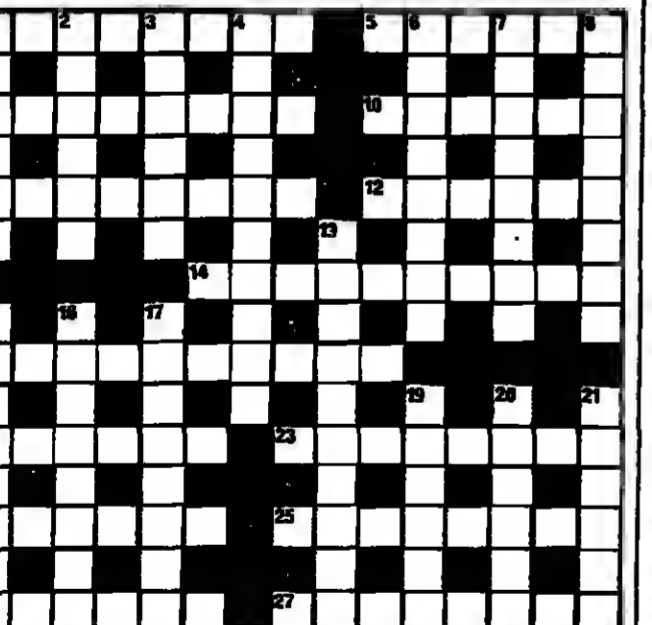
AUTHORISED UNIT TRUSTS

Large table listing numerous authorized unit trusts, including Abbey Unit Trusts, Abroad Management Ltd, and others, with columns for name, manager, and other details.

FT UNIT TRUST INFORMATION SERVICE

Advertisement for Finstat, featuring the text 'When prices matter - Finstat delivers the FT prices online...' and a logo.

FT CROSSWORD No.6,598 SET BY DANTE



- List of crossword clues: 1 One is prone to use arms in these exercises (3-5), 2 Dumper numbers (6), 3 A street to flatten out for a gentle walk (6), 4 Dostoevsky's partner in crime (10), 5 Two-foot tropical tree (8), 6 Such a town has a unique mode of transport (3-5), 7 Barbary put in uninteresting and tedious work (8), 8 Newsstand? (3-5), 9 Wickcraft? (10), 10 He struggled to maintain faith in the past (8), 11 Not knowing what to believe and acting so strangely (8), 12 Pent-up power? (10), 13 Gets engaged when he is in a bit of trouble (8), 14 Root of seat is requiring reformation (8), 15 New jokes about leading politician in Yugoslavia (6), 16 Solution to Puzzle No.6,597

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FT UNIT TRUST INFORMATION SERVICE

Handwritten text at the top center of the page.

Main table containing unit trust information, including columns for company names, fund names, and numerical values.

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>	<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>	<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>	<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>	<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>	<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>	<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>	<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>	<p>Prudential Assurance Co Ltd Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF Prudential Assurance Co Ltd 11 Queen Victoria Street, London EC4A 3DF</p>
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OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

<p>Abbey Global Investment Fund PO Box 250, St Helier, Jersey 0524 79013</p>	<p>Admiral Investment Services Ltd PO Box 375, Hamilton, Bermuda 0591 23013</p>	<p>Admiral Investment Services Ltd PO Box 375, Hamilton, Bermuda 0591 23013</p>	<p>Admiral Investment Services Ltd PO Box 375, Hamilton, Bermuda 0591 23013</p>
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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Investment Objective, and other details.

Table of London Share Service, including sections for British Funds, Foreign Bonds & Rails, Americans, Money Market Trust Funds, and Money Market Bank Accounts.

LONDON SHARE SERVICE

AMERICANS—Contd

Table listing American companies with columns for company name, share price, and other financial data.

CANADIANS

Table listing Canadian companies with columns for company name, share price, and other financial data.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for company name, share price, and other financial data.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for company name, share price, and other financial data.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for company name, share price, and other financial data.

BUILDING, TIMBER, ROADS—Contd

Continuation of Building, Timber, and Roads companies table.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for company name, share price, and other financial data.

DRAPERY AND STORES

Table listing drapery and stores companies with columns for company name, share price, and other financial data.

DRAPERY AND STORES—Contd

Continuation of Drapery and Stores companies table.

ELECTRICALS

Table listing electrical companies with columns for company name, share price, and other financial data.

Large table listing various companies, likely including electrical and other industrial firms, with columns for company name, share price, and other financial data.

ENGINEERING

Table listing engineering companies with columns for company name, share price, and other financial data.

ENGINEERING—Contd

Continuation of Engineering companies table.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies with columns for company name, share price, and other financial data.

HOTELS AND CATERERS

Table listing hotels and caterers companies with columns for company name, share price, and other financial data.

INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial companies with columns for company name, share price, and other financial data.

INDUSTRIALS (Miscel J)—Contd

Continuation of Industrial (Miscel J) companies table.

INDUSTRIALS (Miscel J)—Contd

Continuation of Industrial (Miscel J) companies table.

INSURANCES

Table listing insurance companies with columns for company name, share price, and other financial data.

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LONDON SHARE SERVICE

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INSURANCES - Contd

Table listing insurance companies and their share prices.

LEISURE

Table listing leisure-related companies such as hotels and resorts.

MOTORS, AIRCRAFT TRADES

Table listing companies in the motor and aircraft sectors.

Commercial Vehicles

Table listing commercial vehicle manufacturers.

Components

Table listing automotive components suppliers.

Garages and Distribution

Table listing garage and distribution companies.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies.

SHOES AND LEATHER

Table listing shoe and leather goods companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

PAPER, PRINTING, ADVERTISING - Contd

Continuation of paper, printing, and advertising companies.

PROPERTY

Table listing real estate and property companies.

SHIPPING

Table listing shipping and maritime companies.

SHOES AND LEATHER

Table listing shoe and leather goods companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES

Table listing textile companies.

TEXTILES - Contd

Continuation of textile companies.

TEXTILES - Contd

Continuation of textile companies.

TOBACCOS

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

OIL AND GAS - Contd

Continuation of oil and gas companies.

OIL AND GAS

Table listing oil and gas companies.

OIL AND GAS

Table listing oil and gas companies.

OIL AND GAS

Table listing oil and gas companies.

MINES - Contd

Continuation of mining companies.

MINES

Table listing mining companies.

MINES

Table listing mining companies.

MINES

Table listing mining companies.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

IRISH

Table listing Irish stocks.

TRADITIONAL OPTIONS

Table listing traditional options.

TRADITIONAL OPTIONS

Table listing traditional options.

NOTES: Stock exchange dealing classifications are indicated to the right of security names. A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z.

WORLD STOCK MARKETS

Table with columns for various stock indices: ASX, FRANCE, GERMANY, NETHERLANDS, SWEDEN, CANADA, JAPAN, AUSTRALIA, and EUROPE. Each column lists stock symbols and their corresponding values and changes.

Table titled 'CANADA' listing various Canadian stock indices and individual stock prices with columns for 'Stock', 'High', 'Low', 'Last', and 'Change'.

Table titled 'INDICES' showing various regional and global stock indices such as NEW YORK, DOW JONES, EUROPE, and ASIA. It includes columns for 'Index', 'High', 'Low', 'Last', and 'Change'.

Table titled 'OVER-THE-COUNTER' listing Nasdaq national market closing prices for various stocks, including columns for 'Stock', 'High', 'Low', 'Last', and 'Change'.

Table titled 'NEW YORK' showing Dow Jones and other market data, including columns for 'Date', 'High', 'Low', 'Last', and 'Change'.

Advertisement for 'Oslo (02) 684020' featuring the text 'Have your F.T. hand delivered every working day in Norway' and '12 ISSUES FREE'. It also includes contact information for Financial Times.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock names, prices, and changes.

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NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, Div, E, High, Low, Last, Change. Includes sub-sections for Continued from Page 42, R R R, S S S, and U U U.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices. Columns include Stock, Div, E, High, Low, Last, Change. Includes sub-sections for D D D, E E E, F F F, G G G, H H H, I I I, J J J, K K K, L L L, M M M, N N N, O O O, P P P, Q Q Q, R R R, S S S, T T T, U U U, V V V, W W W, X X X, Y Y Y, Z Z Z.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) national market closing prices. Columns include Stock, Div, E, High, Low, Last, Change. Includes sub-sections for A A A, B B B, C C C, D D D, E E E, F F F, G G G, H H H, I I I, J J J, K K K, L L L, M M M, N N N, O O O, P P P, Q Q Q, R R R, S S S, T T T, U U U, V V V, W W W, X X X, Y Y Y, Z Z Z.

Advertisement for Athens. Text: 'Have your F.T. hand delivered... at no extra charge, if you work in the business centre of ATHENS'. Includes contact information for Hellenic Distribution Agency and Financial Times.

AMERICA

Tom Burns on how a strong economy is underpinning confidence

Rebounding Dow closes just below 2,000 mark

Gains in Spain keep the doomsayers at bay

Wall Street

THE EQUITY market made a determined run at 2,000 on the Dow Jones Industrial Average yesterday but failed to breach this level in both a morning and late afternoon rally...

has deepened this week. Prices fell as much as 1 1/2 points at one point on Monday as the market reacted to last Friday's strong employment figures...

OPTIMISTS on the Spanish bourses have confounded their doomsaying critics since the start of the year, with all four markets producing strong first quarter gains.

When the main world markets came off at the end of last month, the Spanish markets - or bolsses - continued to do lively business right up to the Easter break...



The macro figures continue to look healthy, with good economic growth ahead, a strong demand pull and a controlled fall in the inflation rate.

Spain's markets do, however, have plenty to keep them busy. The current hostile bid for the Ebro sugar company by interests controlled by the Kuwait Investment Office has provided a fascinating inside view of the real value and annual turnover of a Spanish company that was previously outside the public eye.

Canada

The mood on interest rates was not helped yesterday by statements from Fed hard liner Governor Wayne Angell who told a meeting at the New York Futures Exchange that the current rate of US inflation was entirely unsatisfactory...

RISING industrial issues which offset pressure on gold stocks pushed Toronto stocks higher in mixed trading.

EUROPE

Prices mixed as holiday mood hits volume

London

CONTINUED concern over currency movements and low turnover kept share prices down in London yesterday, with the FT-SE 100 index falling 4.9 to 1,787.4.

Royal Beige posted one of the larger gains adding BFR150 to BFR5,850.

ZURICH finished slightly higher in light post-Easter trading. The Credit Suisse index inched up 2 to 438.6.

ASIA

Nikkei suffers slight drop in sharply lower turnover

Tokyo

AN ABSENCE of institutional interest and market-moving factors undermined large-capital, high-technology and other leading equities in Tokyo yesterday...

Electric Industrial Y20 to Y2,670, but NEG moved down Y10 to Y2,070, Mitsubishi Electric lost Y5 to Y740 and Fujitsu was off Y10 to Y1,470.

Australia

PROFIT-TAKING pulled equities lower in most sectors with the All Ordinaries Index falling 3.1 to 1,815.5 in light trading.

Prices were generally little changed yesterday and the FAZ index edged 0.22 higher to 451.72.

Singapore

LIGHT buying interest and sporadic bargain hunting belatedly pushed share prices higher, after a recent decline, in quiet and featureless trading.

Institutions stayed away, with small investors providing demand for Singapore-based blue chips and quality stocks.

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Tuesday April 5 1988, Monday April 4 1988, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, and various regional indices.

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ 100), 92.791 (Pound Sterling) and 94.94 (Danzon). Copyright: The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd., 1987.

You already know the answers. Now here are the questions.

For every question your clients throw at you, you've usually got the answer at your fingertips. But the right answer is not quite enough any more. You need a little bit extra up your sleeve.

Every month Money Management gives you the facts on which to base your advice. And a singularly clear-sighted overview of the entire investment scene - performance, innovation, regulations, wrinkles. Regular features and special reports bring you up-to-date on all the major new developments and initiatives.

